FINANCIAL TIMES
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Moscow penalises its black economy, Page 3

World news

Decision on Italian coalition expected

President Francesco Cossiga is expected to announce a decision on a future Italian government following two days of consultations with past heads of state and the leaders of all the country's political parties. There appears to be a consensus among the five parties which make up the ruling coalition – the Christian Democrats, Socialists, Republicans, Social Democrats and Liberals – that it should continue.

The president could ask either Bettino Craxi, the Socialist Prime Minister, or a leading Christian Democrat to form a new government, or try to reconstitute the fallen government which was brought down when Mr Craxi resigned after a parliamentary defeat.

One of the most difficult issues to be resolved is the insistence by the Christian Democrats that Mr Craxi give a commitment to step down next year if he continues in office.

Dutch coalition

A provisional accord covering budget guidelines and the outline of a programme for government is expected to be agreed between the Dutch Christian Democrats and their Liberal partners, allowing a government to take office as early as next week. Page 18

IRA appeal rejected

The Dutch Supreme Court threw out an appeal by escaped IRA prisoner Brendan McFarlane against extradition to Britain. It also overturned a lower court verdict that another escaped IRA man, Gerard Kelly, could not be extradited.

Gulf war flares

Both sides in the Gulf war reported heavy figthing around Mehran, an Iranian border town seized by Iraq six weeks ago. Iran claimed "remarkable victories," but Iraq said it remained in control of the town.

'Spy' expelled

Sweden expelled a Soviet trade official for "activities incompatible with his official duties," believed to be spying on the country's $3bn programme to build a new lightweight fighter aircraft.

Toxic gas leak

A toxic gas leak at a uranium enrichment plant in the Rhône valley was rapidly sealed off with no outside contamination, according to the operating consortium, Eurodif. Reprocessing criticised, Page 2.

Leadership bid

Japanese Foreign Minister Shintaro Abe announced during campaigning for Sunday's general election that he intends to seek the leadership of the ruling Liberal Democratic Party. The LDP president automatically becomes the Prime Minister when the party is in power.

Australian budget cut

The Australian Government of Bob Hawke faces opposition to its austerity plans from the Australian Confederation of Trade Unions, which threatens to take industrial action over pay. The government has decided to cut A$1bn from its budget for 1986–87. Page 4

Private work ban

Some forms of private work have been outlawed in the Soviet Union as part of a crackdown on corruption, including unauthorised use of state equipment for private gain.

Kenyan sentenced

A Nairobi court sentenced Kenyan businessman Mudyui Kahuha to four years' imprisonment for distributing seditious literature of the underground socialist movement Mwakenya. He is the 25th to be sentenced in connection with Mwakenya.

Business summary

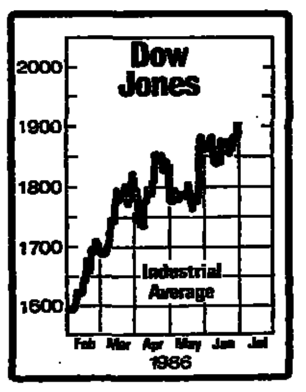
GEC sees first profit fall for 19 years

GENERAL Electric Company, Britain's largest electrical and electronics group, reported its first fall in full-year taxable profits for 19 years, with a decline of £24m to £701m ($1.08bn). Lex, Page 18; Details, Page 26

LONDON equities managed a broad advance to a two-month high. The FT Ordinary index ended 6.6 higher at 1,373.7. Page 44

TOKYO stocks turned marginally lower amid concern over the current high level of prices. The Nikkei average dipped 31.45 to 17,622.74. Page 44

WALL STREET: The Dow Jones industrial average closed up 10.82 at 1,903.54, a record. Page 44



DOLLAR fell in London to DM 2.1760 (DM 2.2015); FFr 6.9450 (FFr 7.02); SFr 1.7725 (SFr 1.7955); and Y162.55 (Y163.70). On Bank of England figures the dollar's index fell to 113.9 from 114.4. Page 37

STERLING rose in London to $1.55 ($1.5325); FFr 10.7650 (FFr 10.7575), and Y252 (Y250.75). It fell to DM 3.3725 (DM 3.3750) and SFr 2.7475 (SFr 2.7525). The pound's exchange rate index rose to 76.4 from 76.2. Page 37

GOLD fell $2.50 to $345.00 on the London bullion market. It fell in Zurich to $345.25 from $347.55. Page 36

In New York, the August Comex settlement was $345.80

WEST GERMANY recorded a trade surplus of DM 8.1bn ($3.7m) in May, a slight retreat from April's record of more than DM 10bn. Page 3

TRADE: Talks aimed at defusing mounting trade tensions between the US and Brazil over information technology open in Paris today. Page 6

AUSTRALIA is cutting its *1986–1987 budget by a further* A$1bn (US$675m), is removing tax exemptions on certain foreign borrowings and has rejected a proposed pay rise for politicians. Page 4

PRATT & WHITNEY of the US has defeated General Electric of the US and Rolls Royce of the UK in the battle for a $460m (US$211m) engine order from Singapore Airlines. Page 6

COMPANIES

SAINT-GOBAIN, French state-owned glass and engineering group, is to spend between $600m and $700m on a US company, although the precise takeover target has not been chosen. Page 18.

LOUIS VUITTON, French luggage and leather goods company, is making a FFr 800m rights issue to back a planned move into the perfume sector. Page 19

COCA-COLA, leading US soft drinks group, agreed to acquire the John T. Lupton Coca-Cola bottling operations, its largest franchised bottler, for $1.4bn. Page 19

VATICAN BANK, otherwise known as Istituto per le Opere di Religione, has sold off one of its biggest shareholding assets – 51 per cent control of the Lugano-based Banco di Roma per la Svizzera. Page 19

CONTINENTAL Airlines has had a $925m reorganisation plan approved by a US bankruptcy court, whereby its creditors will get 100 cents on the dollar, ending one of the most costly and bitter bankruptcy proceedings in history. Page 19

Washington welcomes Moscow move on pre-summit talks

Soviet leader Gorbachev

EEC and US closer to farm accord

BY OUR FOREIGN STAFF

EEC car prices, Page 2; Chip row deadline, Page 6

Electronics groups seek fair deal in US, Japan

By Guy de Jonquieres in London

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Howe plans two trips to South Africa in July

BY ROBERT MAUTHNER IN LONDON

Unions in angry mood, Page 4; Editorial comment, Page 16

Black union leaders in surprise UK visit

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GTE swoops with £58m bid to win control of UK group

BY LIONEL BARBER IN LONDON AND PAUL TAYLOR IN NEW YORK

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French Government to raise social security payments

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government is to raise about FFr 20bn (£1.8bn) through an increase in social security contributions over the next 18 months that will in large measure offset the cuts in personal taxation planned for next year.

The fresh funds are needed to finance a deficit in the social security accounts that is expected to rise from FFr 20bn-FFr 22bn this year to FFr 30bn-FFr 40bn in 1987. To help cover this the Government decided yesterday on an across-the-board 0.4 per cent increase in tax on all revenues and on a 0.7 per cent increase in pension contributions payable by wage-earners but not by companies.

The increase in social contributions was not accompanied by any cut in social security spending—reflecting the political unpopularity of such measures.

Mr Philippe Seguin, the Social Affairs Minister, announced however, that a Government-appointed commission will be asked to carry out a review of the state assisted retirement scheme which is largely responsible for the deficit. None the less, the Government has ruled out the type of two tier system containing a private and a state element that has often been proposed on the French right.

Mr Seguin said that the "government has no other objective but the protection of our social security system . . . which represents one of the finest and greatest successes of our country."

The decision to raise social security contributions now while avoiding any root and branch reform of the social security system in part reflects electoral considerations. The moves were approved by middle of the road union leaders.

The commission's review will look into ways of encouraging people to prolong their working lives. The growing deficit in the social security fund is in large part due to the Socialists' decision to provide for retirement at 60 without providing the means to finance it. But the commission has also been asked to report on ways of maintaining the real value of retirement pensions.

Car price differences narrow in European Community

BY TIM DICKSON IN BRUSSELS

THE LARGE gap between British and Continental car prices appears to be narrowing generally but discrepancies between the cost of some models remain wide throughout much of the European Community.

This is the main conclusion of a survey published yesterday by the Bureau of European Consumer Unions (BEUC), a Brussels-based consortium of EEC organisations which set out on June 1 to compare the prices of 30 cars made by 16 different manufacturers and sold in all 12 member states.

Comparing the findings with the results of previous surveys, the BEUC shows that the gap between list prices without tax in Britain and Belgium (the latter taken as a European benchmark) has come down from 52 per cent in 1981 to 25 per cent this year.

West German, French and Italian prices, however, have not moved significantly, though they are not as far out of line as Britain's (being respectively 7 per cent, 7 per cent and 19 per cent higher on average than Belgium's).

The BEUC points out that European consumers can find some comfort in these figures, but, more significantly, large differentials remain if the prices of *individual* car models are taken into account. Even excluding Danish prices (their exceptionally high tax levels mean that prices before tax are considerably lower than elsewhere in Europe), price differences between the cheapest and most expensive models exceed 25 per cent in the case of 23 out of the 30 models, while some are more than 45 per cent.

Says the BEUC: "There has always been a number of theoretical explanatory factors for these differentials: variations in exchange rates, inflation rates, differences in purchasing power, consumer preferences and extra equipment, tax systems, specification requirements, price control arrangements, transport and distribution costs. Some of these are important but they fall really to explain the actual size of the gaps between EEC price levels."

Far from eliminating the differences, moreover, discounting in different countries actually exaggerates the discrepancies.

In the absence of what it considers adequate European Commission pressure to reduce the differentials, the BEUC is urging consumers to continue buying cars from outside their own national frontiers, where advantageous, as a means of promoting greater competition.

● The EEC's "new" approach to setting common technical standards in all member states came in for criticism in Brussels yesterday.

Launching a campaign "Consumers without Frontiers" aimed at involving European consumers in the phasing out of internal barriers and creating a single European domestic market, the BEUC emphasised the importance of common safety, health and consumer standards across national frontiers.

But it added: "In the latest EEC approach it is wrongly assumed that safety and health rules are already broadly similar within the EEC. Based on this false assumption the Commission seeks to promote what is called 'mutual recognition' or acceptance of other countries' standards to eliminate barriers to trade with less emphasis on European harmonisation."

The BEUC concedes that the legislative process of agreeing EEC directives is slow but says this could be speeded up by more majority voting by member states. It fears that, by relying on national standards, the EEC could be taking "the lowest common denominator" rather than setting the highest possible standards itself.

Czechs revise five-year plan

BY LESLIE COLITT IN BERLIN

CZECHOSLOVAKIA'S economic planners are carrying out a major revision of the draft five-year plan to give company managers greater freedom of action, and overcome rampant inefficiency and the lack of innovation which has made it difficult for Czechoslovakia industry to export outside Comecon.

Mr Lubomir Strougal, Czechoslovakia's *Prime Minister*, said recently that economic performance thus far this year had "not been successful" in every respect.

He did not give details but officials complained that progress had been slow in restructuring industry which was weighted towards iron and steel and heavy engineering.

Stocks of unsold goods in the first quarter increased faster than growth in national income.

In future, prices of industrial inputs are to be raised to world levels.

Mr Strougal noted that wages are to be linked more closely with the "results of work" in companies as well as the efficiency of foreign trade and sales of products on the domestic market.

A tax reform is being prepared under which industry will be allowed to retain more profits while tax rates for private trades people will be lowered. The Czechoslovak authorities are allowing more citizens to set up private businesses,

Falklands to receive EEC economic aid

THE Falkland Islands will receive EEC development funds under an aid programme for the overseas territories of member states which came into operation yesterday, Reuter reports from Brussels.

European Commission officials said French overseas territories, including New Caledonia, French Polynesia and Mayotte, would receive a total of Ecu 27.5m (£17m) distributed according to population. The same amount is destined for Dutch overseas territories.

British dependencies will receive just over Ecu 12m. The package also covers British Islands in the Caribbean and territories in the Indian Ocean and the Antarctic.

The aid programme aims to give the territories the same development funding and preferential trade access as that accorded the 66 independent African, Caribbean and Pacific nations linked to the Community by an aid and trade pact.

Swedes expelled Soviet 'for spying on Gripen'

A SOVIET trade official expelled by Sweden for "activities incompatible with his official duties," was spying on the country's S3bn programme to build a new fighter plane, government sources said yesterday, Reuter reports from Stockholm.

The Swedish sources said the unnamed official, working at the Soviet trade mission outside Stockholm, had tried to cull information on the advanced Gripen aircraft being built at the closely-guarded Saab-Scania aerospace plant at Linkoping in south-east Sweden.

Announcing the expulsion on Monday, a Foreign Ministry spokeswoman said only that the man's activities would have harmed neutral Sweden and its interests if they had continued.

Western diplomats said the Gripen project, based on the same lightweight technology as Israel's Lavi aircraft and the so-called "Eurofighter" planned by West Germany, Britain, Italy and Spain, was a top priority for Soviet spy operations in Sweden.

Swedish Government sources, who declined to be identified, said security around the Gripen – which is scheduled to fly in 1987 – had been further tightened recently after several East European students enrolled to study at the university in Linkoping.

Sweden has expelled seven other Soviet citizens in the past six years, most of them for alleged industrial spying with the aim of obtaining commercial secrets

WIDER OPTIONS FOR HANDLING SPENT FUEL, SAYS REPORT

Value of nuclear reprocessing questioned

BY DAVID MARSH IN PARIS

CHANGING PERCEPTIONS among international electricity utilities about the treatment of spent fuel from nuclear power stations have been underlined in a report from the Nuclear Energy Agency.

The NEA groups all members apart from Yugoslavia in the 24-nation Organisation for Economic Co-operation and Development (OECD). The report stresses that countries now have more options for handling burnt uranium fuel as a result of the slump in uranium prices and delays in bringing on stream plutonium-burning fast breeder reactors.

In the debate over whether spent fuel should be reprocessed by chemical separation into plutonium and other products, or stored permanently without reprocessing, the NEA says the reprocessing option can no longer be taken for granted.

The subject is of considerable political importance because of the controversy in West Germany about plans to build a reprocessing plant at Wackersdorf in Bavaria.

In a move which generated friction with the United States' Western allies, the Carter administration in 1977 decided that commercial reprocessing in the US should be postponed indefinitely because of worries that plutonium produced from fuel separation could be used illicitly to make nuclear weapons.

A non-reprocessing strategy now appears to be backed up by economic arguments, the NEA report suggests, even though it underlines that countries may choose to opt for reprocessing on technological and other grounds.

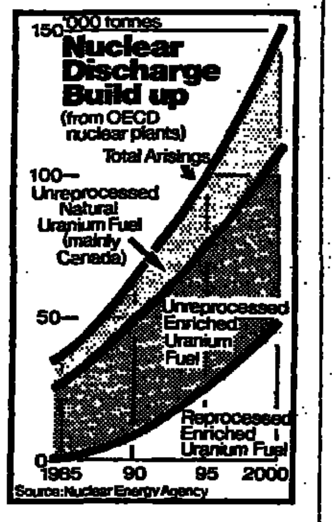
According to figures in the report, spent oxide fuel arising from nuclear power stations in the US will increase from 4,112 tonnes of heavy metal in 1984 and 4,890 tonnes in 1985 to 9,305 tonnes by the year 2000. The cumulative total of oxide fuel in the NEA area will reach some 153,000 tonnes by then. The largest single component of this spent fuel will come from the Candu natural uranium heavy water reactors in Canada. Benefiting from large uranium reserves, Canada has already decided not to reprocess spent fuel but to store it indefinitely.

The uranium metal spent fuel from the older Magnox-type reactors in Britain and France is not included in the figures. This material is routinely reprocessed one to three years after discharge because of the limited resistance to underwater storage of natural uranium fuel cladding.

For the oxide fuel used in light water reactors (LWRs) most commonly in service in OECD countries, the NEA makes clear that economic and technological options on spent fuel treatment are much wider than earlier thought.

The report says bluntly that the cost of reprocessing, above all at the world's largest LWR fuel reprocessing plant at La Hague in France, "is not offset by the value of the materials produced." This is because plutonium issuing from spent fuel is in surplus because of the serious slippage of fast breeder plans and only slow start-up of efforts by international utilities to recycle otherwise unwanted plutonium in first-generation LWRs.

The report says spent oxide fuel can be stored for 20-50 years in underwater pools to dissipate heat and allow some radioactive waste products to decay. This gives utilities more time than previously thought to decide whether to reprocess or to store spent fuel as unreprocessed waste in geological repositories capable of sealing the material from the environment for millions of years.



Nuclear Spent Fuel Management — NEA 38 Bd Suchet, 75016 Paris.

Turkish privatisation

A report on possible privitisation of Turkish state-owned companies says only three of the total 32 are immediately saleable with a minimum of restructuring, Reuter reports from Ankara. The report by Morgan Guaranty Trust identified the three as Turkish Airlines; USAS, an in-flight catering and baggage handling company; and the Turban bank and hotel chain.

Reports of East Berlin breakout attempt denied

EAST GERMANY yesterday dismissed as a "foul lie" Western newspaper reports of a mass breakout attempt to West Berlin through an underground railway shaft that ended in a shoot-out killing at least six people, Reuter reports from East Berlin.

Underground railway experts in West Berlin described such a breakout through tunnels sealed since Communist authorities built the Berlin Wall in 1961 as practically impossible.

An East German Foreign Ministry spokesman, asked about the reports in several newspapers yesterday, said: "I can say quite officially the story is nothing but a foul lie."

According to the reports, some quoting intelligence sources in West Berlin, a group of about 12 East Germans had tried to blast their way through an underground railway tunnel into a shaft leading into West Berlin.

At least six had been killed in a shoot-out and others, including reserve soldiers, executed after capture.

An official for the West Berlin underground railway network, connected to the East Berlin system until the wall was built, said there were some points at which a breakthrough to a West-bound tunnel would be possible.

Patrick Cockburn reports on a new law which makes it difficult to spend illegal profits

Moscow penalises its black economy

CORRUPTION in the Soviet Union can bring rewards. When police arrested one man for taking bribes this April they found his property included 12 cars, 47 tape recorders and colour televisions and 3,000 bottles of cognac and wine.

This pales compared with property confiscated from another criminal sentenced at about the same time. He had three Volga cars, 23 dinner services with 380 settings, 74 suits and 149 pairs of shoes. "He had hidden some things away for emergencies," reported Moscow Radio, "including 735,000 roubles (£668,000) in cash, 18,300 roubles worth of 3 per cent loan bonds, 450 gold coins and 39 gold wrist watches."

In stepping up the anti-corruption campaign which started in the last years of President Brezhnev, the Government has drafted a law which compels anybody spending 10,000 roubles (£9,300) on an article to fill in a special form registering the deal and giving details of the purchaser's source of income. Only when buying houses or dachas (country cottages) is the threshold higher at 20,000 roubles.

The aim of the new rules is to make it more difficult to spend unearned income from bribery or the black market. At the same time, penalties for minor kickbacks — use of state property for private use and petty corruption — are all increased.

This is in keeping with the campaign launched shortly before President Brezhnev died. Accusations of corruption undermined the political position of the Brezhnev old guard throughout the 1982-85 leadership crisis.

Periodic scandals erupted: the Deputy Minister of Fisheries was executed in 1982 because of his involvement in a swindle whereby caviar was exported from the Soviet Union in tins labelled as containing salted herring. In 1984 the manager of Gastronom Number One in Gorky Street, one of Moscow's better food shops, was shot for systematic corruption and theft. When police dug up his garden they found bundles of rotting roubles he had not found time to spend.

Systematic corruption at the top worries the new leadership. Mr Yegor Ligachev, number two in the Politburo, quoted Lenin as saying that the most serious faults of Communist Party officials were self-satisfaction, drunkenness and corruption. The latter, he said, was still the greatest problem facing the party.

The difficulty in fighting corruption at the top is that it is linked to the vast number of ways that ordinary Soviet citizens can supplement their income. The number of people with second jobs greatly increased between 1964 and 1982 as real incomes soared but the supply of services and goods failed to keep pace.

Surveys by Soviet economists show that the average Soviet citizen spends only 10 per cent of his income on services, but if demand was met this would jump to 20 per cent.

The size of the second economy in the Soviet Union is illustrated by a survey conducted between 1974 and 1979 of 1,936 former Soviet citizens who had emigrated to the US. This showed that a family with husband and wife working, with a joint monthly salary of 304 roubles, would on average have spent 1,138 roubles—a third of their income each year—in the second economy, not counting food bought in the peasant markets.

Outgoings ranged from 398 roubles spent on services including construction to 21 roubles in under the counter payments to shop assistants to keep goods. The endemic nature of this type of petty corruption was noted in a speech in Leningrad by Mr Mikhail Gorbachev soon after he became leader. "Try to get your flat repaired," he challenged his audience. "You will definitely have to find a moonlighter to do it for you—and he will have to steal the materials from a building site."

The problem is that wholesale bribery at the top is linked to minor kickbacks by consumers across the counter. Last year a senior investigator from the Department for Struggle against Embezzlement of Socialist Property and Speculation (OBKHSS) involved in a crackdown against crime in the Moscow trade system said that since October 1983 he had dealt with over 30 cases involving the theft of 3m roubles-worth of goods by some 100 management personnel from the capital's best-known shops.

He said officials received 1m roubles in bribes "and paid three-quarters of this sum in bribes themselves." When OBKHSS inspectors carried out test purchases in shops across Moscow on a single day in 1982 they found that in 156 of 193 purchases they were cheated. The profits were then systematically passed up the line.

The manager of one fruit and vegetable shop kept an account book noting all kickbacks over a 10-year period, including food hampers despatched to the responsible authorities across Moscow four times a year. None was ever returned.

The compulsory registration of any large-scale transactions appears to be directly aimed at two forms of private property on which the better off or the corrupt spend money in the Soviet Union: cars and country homes.

The new law is unlikely to dent the second economy which is an integral part of the Soviet economy overall. The compulsory registration of any large-scale transactions appears to be directly targeted against two forms of private property on which the better off or the corrupt spend money in the Soviet Union: Cars and dachas.

The Soviet Union now has some 12m private car owners, each of whom have paid at least 7,000 roubles to buy. Spares are in short supply. The Vaz plant at Togliatti which makes the Zhiguli, the most common car on the roads, satisfies only 40 to 45 per cent of the demand for spares, according to Soviet economists. The same is true of other car manufacturers, leading to a vast black market for spares.

Moscow police recently arrested Mr Mikhail Ryabkov, nominally a hotel worker earning 160 roubles a month. In fact, reported Soviet television, "Moscow speculators knew him well by the name of Dirty Misha, one of the very biggest speculators in spare parts for the Zaporozhets car." Although Mr Ryabkov claimed to be a simple car enthusiast, a search of his department revealed 100 brake cylinder seals, 18 sets of brake cylinders, 10 sets of piston rings, 92 camshaft bearings and other spare parts. He was jailed for 10 years.

Dachas can vary in size from a full size country house to little more than a garden shed which costs 1,700 roubles if bought prefabricated. Ownership is common. Leningrad, with a population of 5m, is surrounded by 950,000 dachas, mostly for summer use only.

Construction materials and garden equipment are often in short supply. Mr A. Rekunkov, Procurator General of the USSR, said studies showed that 40 per cent of dachas are built with the illegal use of state equipment: "A crane or bulldozer driver can make a profit of 50 roubles per hour."

It is almost impossible to quantify the size of the second economy. The survey of Soviet immigrants to the US indicated annual expenditure in the second economy of 68bn roubles a year, excluding money earned by peasants through their private plots of land.

Clearly some people do accumulate small fortunes. Total deposits in Soviet savings banks are 200bn roubles but in one region half the money in the savings bank is accounted for by about 3 per cent of depositors. The new law will make it more difficult to accumulate such capital sums publicly in future, but the overall level of unearned or privately earned income is unlikely to diminish.

West German trade surplus declines to DM 8.1bn in May

BY RUPERT CORNWELL IN BONN

WEST GERMANY recorded a trade surplus of DM 8.1bn in May, a slight retreat from April's record of more than DM 10bn, but enough to bring the cumulative surplus for the first five months to an unprecedented DM 40.3bn. This compares to DM 26.6bn in tht same period of last year.

Simultaneously, the Federal Statistics Office in Wiesbaden announced a May current account surplus of DM 6bn. Although this is down on the record of DM 8.5bn achieved in April, it brings the total surplus for the first five months to DM 30.3bn, suggesting that forecasts of a full year surplus of DM 60bn might prove too conservative.

This latest evidence of West Germany's powerful export performance will do little to reduce pressure from abroad, most notably from the US, that Bonn should do more to boost domestic demand and suck in extra imports. Evidence is mounting, however, that in real terms imports are now growing faster than exports.

The substantial trade surplus registered in May reflects in part a drastic fall in import prices, thanks to the steady upvaluation of the D-mark, and the collapse of international energy prices. In that month alone imports were on average 17 per cent cheaper than a year earlier.

For the year as a whole exports have been costing some 2 per cent less in D-mark terms than in 1985, while import prices are 14 per cent down. In volume terms, however, the statistics office points out, imports were running 5 per cent above last year's levels, and exports only 0.2 per cent.

This argument, stubbornly marshalled by the authorities here whenever the surpluses come under fire from abroad, also received some support yesterday from data released by the West German engineering federation. The VDMA represents the economy's biggest single industrial sector, and its most important generator of exports.

According to the VDMA, orders booked from abroad between March and May were 17 per cent less than in the corresponding months of 1985. The drop was only partly covered by a 3 per cent gain in domestic orders, so that the overall decline was still 9 per cent.

This, too, lends credence to the thesis of officials here that after the initial perverse effect of revaluation, in producing an immediate but misleading improvement in a country's terms of trade, West Germany's surpluses will start to decline soon.

Union chief attacks VW sell-off

By David Brown in Frankfurt

IG METALL, West Germany's largest and most powerful trade union, has sharply attacked government plans to accelerate its privatisation of state holdings. Mr Hans Mayr, the union's leader, yesterday accused Bonn of "squandering the state's assets" through "stopgap measures" aimed at bolstering the federal budget.

The union strongly opposes the Government's decision, announced last week, to sell its 20 per cent stake in Volkswagen. Together with the sale of a 25 per cent share in Veba, the energy conglomerate, the Government hopes to raise some DM 4.5bn (£1.3bn) this year and next.

Next year's draft budget, discussed by the cabinet yesterday, assumes DM 3bn income from the VW and Veba sales, on which the government is depending in large part because of the sharp fall in profits from the Bundesbank.

Following the announcement, the VW group was hit by a brief protest work stoppage by 5,000 employees at its Kassel plant on Monday.

Mr Mayr, who is a member of the VW supervisory board, is expected to voice union opposition to the sale at a planned meeting tomorrow. The issue is not expected, however, to lead to a wider union-management conflict.

Greek Cypriots protest at Ozal's visit to the north

BY ANDREAS HADJIPAPAS IN NICOSIA

GREEK CYPRIOTS yesterday started a week of demonstrations along the "green line" that divides Nicosia in protest against the visit of Mr Turgut Ozal, the Turkish Prime Minister. The three-day visit is the first by a Turkish Premier to the self-proclaimed Turkish Republic of Northern Cyprus which is recognised only by Turkey.

The Cyprus Government of President Spyros Kyprianou has lodged a strong protest with the United Nations over Ankara's "new provocative action" and the visit has also been denounced in Athens and criticised by US, Soviet, European and non-aligned officials.

The political heat generated by the visit has added further tension to the area, coming soon after the renewed deadlock in UN efforts to reunite the divided island in a federal republic.

Mr Ozal will be accompanied by a group of Turkish businessmen and the talks with Mr Rauf Denktash's administration will concentrate on economic matters.

Greek Cypriots see the visit as another flagrant violation of UN resolutions by Turkey, since the Security Council has condemned the breakaway Turkish Cypriot "state," called for its revocation and asked all countries not to assist it in any way. They also see the visit as an attempt by Turkey to improve its ties with the Turkish-held north and facilitate Mr Denktash's quest for international recognition.

Andriana Ierodiaconou adds from Athens: Secret hearings begin today in Greece by a parliamentary committee investigating events surrounding the 1974 Greek junta coup in Cyprus and the subsequent Turkish military invasion of the island. It will report to the president of Parliament by next March.

The list of witnesses is believed to include such ignominious figures from the past as ex-Brigadier Dimitrios Ioannides, the head of Greece's ruling military junta in 1974 who is currently serving a life sentence in an Athens prison.

Polish PM says economic change may spark unrest

BY CHRISTOPHER BOBINSKI IN WARSAW

TOUGHER POLICIES intended to improve efficiency in Poland and reorganise the central administration in line with economic reforms heralded by the Communist Party leadership could lead to social unrest, according to Prime Minister Zbigniew Messner.

Addressing the party congress here, he confirmed there was no alternative to streamlining the economy, but he repeatedly cautioned that "some of these moves in the short term will not make the Government any more popular. On the contrary, they could be badly received and cause tensions."

General Wojciech Jaruzelski, the party leader, made mention in a speech on Sunday of reorganising the centre administration. His remark has heartened reformers and sent a tremor of unease through the central ministries which have been seen as bastions of opposition to change.

But the crucial issue of balancing supply and demand both in consumer goods and for industrial producers, without which the country's economic reforms cannot fully take effect, requires a rise in inflation much larger than that proposed by the government Planning Commission in the next few years.

Mr Messner admitted in his speech that until now consumer prices had been held down "because of social sensibilities," and subsidies were growing as a result. And Mr Marian Wozniak, the Communist party secretary responsible for the economy, who has declared himself fully in favour of speeding up the reforms, admitted yesterday that the future of prices policy was uncertain.

"The rate of inflation will be the result of a consensus reached between the Government and the new trade unions," he said, "and I suspect they will decide on a cautious approach which I don't fully agree with."

"We will have to see what decisions are taken year by year," he added, stressing that the problem was more political than economic.

Polish economists have warned that a step-by-step approach on prices and cuts in subsidies, the maintenance of rationing of industrial components and raw materials, and failure to reorganise the central administration will cause the failure of economic reform.

FINANCIAL TIMES

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OVERSEAS NEWS

Pressure renewed on Peres for inquiry

By Andrew Whitley in Tel Aviv

THE ISRAELI Labour Party's parliamentary caucus yesterday came out with a strong call for a full judicial inquiry into the Shin Bet scandal, upsetting Prime Minister Shimon Peres' careful balancing act over an affair which has split the coalition National Unity Government.

Four Labour ministers and most of the party's Knesset members voted in favour of a motion calling for a full investigation of "the role of the political echelons (a code phrase for former Prime Minister Yitzhak Shamir) in all the events connected with the Zorea and Blattman commissions," the earlier inquiries into the April 1984 bus hijacking, now widely viewed as having been sabotaged by an elaborate cover-up by the Shin Bet security service.

The surprise call by Labour's parliamentary group came within hours of the defeat in the Knesset, late on Monday night, of five no-confidence motions on the Government's decision to pardon the security service officials involved in the cover-up of the murder of two captured Arabs. Mr Avraham Shalom, head of the Shin Bet, announced his resignation last week.

Earlier in the day, Mr Peres had said that while there was still no solution in sight in the month long crisis, a compromise was being sought. Likud, Labour's coalition partner, has refused to consider any public or judicial inquiry into the affair on the grounds that national security could be compromised during the hearing.

But Likud Knesset members have made it clear that they believe a witch hunt is being conducted, with the aim of damaging the prospects of their leader, Mr Shamir, taking over as Israel's Prime Minister in October, as scheduled.

The search for a compromise referred to by Mr Peres is believed to be concentrated on finding a form of inquiry acceptable to Mr Shamir, who is suspected of having prior knowledge of the killings by the Shin Bet of the two Arabs and its subsequent cover-up. One possibility being mooted is a single-person judicial commission of inquiry empowered to call witnesses and hold secret hearings under oath.

Bus-stop mine explodes in Johannesburg

BY OUR JOHANNESBURG CORRESPONDENT

A LIMPET mine placed in a rubbish bin attached to a whites-only bus stop in the centre of Johannesburg exploded at lunchtime yesterday injuring five whites and one black woman and two white children. The blast, the sixth in the Johannesburg area so far this year and the eleventh nationwide since the state of emergency was declared, took place only 50 metres from the Carlton Hotel and the tower block which houses dozens of foreign companies.

Ironically it exploded shortly before the Bureau for Information announced "one of the quietest days since declaration of the state of emergency" with only one serious incident over the previous 24 hours, the death of a doctor in a burning black clinic in the Motherwell township of Port Elizabeth.

Police in the "independent" homeland of Bophuthatswana, however, revealed yesterday that 10 bodies had been recovered from a burnt-out combi-taxi in the Madikwe area on June 27 after a series of bomb blasts rocked the area. Last week a local police brigadier was also shot dead in the homeland in what police view as a revenge killing after the death of 11 people at the Winterveld squatter camp three months ago. The brigadier commanded the police unit which opened fire.

Anthony Robinson reports on the struggle to free jailed leaders

S. African unions in angry mood

SOUTH AFRICA'S black trade unions are in angry and militant mood following the detention of over 900 militants and officials under the state of emergency.

According to Mr Louis Le Grange, the tough Minister of Law and Order who has been given virtually limitless powers through amendments to the internal security laws in addition to the emergency regulations, the detentions are not related to union activities. but the net result is the same — a powerful groundswell of resentment and a determination to use industrial action to force employers to intercede on the unions' behalf to secure the release of those detained.

Unionists in the highly visible retail sector were the first to respond with strikes in the six major supermarket chains. But the detention of the vice president of the National Union of Mineworkers (NUM), who is also the president of the Congress of South African Trade Unions (Cosatu), the recently formed super-federation with 34 affiliates and over 500,000 members, has now turned the spotlight on the nation's main export earner and employer—the mining industry.

At a secret meeting attended by over 90 NUM shaft stewards from eight of the union's 11 regional areas which lasted into the early hours of Tuesday, the union decided on various forms of industrial action. Details cannot be revealed under the press restrictions imposed by the state of emergency, but a union spokesman said: "Any action taken will be disciplined and designed to force management to put pressure on Government to secure the release of detained union leaders."

For the mining houses this threat of serious labour unrest could hardly come at a worse time. Today the Chamber of Mines, which negotiates the annual wage agreement for the industry as a whole, is due to sit down with NUM officials to hear the union's official response to its "final offer" of a 15 to 20 per cent increase in basic rates and improved fringe and holiday benefits.

South African black miners: ready to fight for higher wages.

The increases, effective from July 1, have already come into effect. But the union, which reduced its original demand for 45 per cent to 30 per cent during negotiations, will reject the offer. This will open the way for the declaration of a dispute between the Chamber and the NUM and an application for the setting up of a conciliation board. This has 30 days to seek an agreed compromise, failing which the way would be open for declaration of a legal strike.

Last year this process led to a split in the previously monolithic facade of the six big mining houses represented by the Chamber. Rand Mines, JCI and Anglo American Corporation all agreed to a higher revised offer of 22 per cent while Gencor, Goldfields and Anglo-Vaal refused to pay more.

This led to a brief and ragged strike at several mines of the recalcitrant mining corporations, followed by a mass lay-offs at Gencor's Marievale and other mines. This in turn sparked off litigation which finally resulted in reinstatement for the sacked men in the so-called Marievale judgment.

The bitterness caused by the strike led to the NUM categorising Gencor as an "enemy company," but the union's victory and other signs of growing union organisation and strength appears to have contributed to a less confrontational approach, especially by Gencor, whose top management has since been changed.

In pressing for a 30 per cent wage hike this year the NUM, which claims 150,000 "paid-up" and 300,000 "signed-up" members, or around 60 per cent of the black workers employed on gold and coal mines, is focusing heavily on the industry's "capacity to pay."

It describes its claim as reasonable in view of the 38 per cent rise in mine working profits last year and compares the Chamber's 15 to 20 per cent offer with the 39 per cent increase in payments to shareholders and the 47 per cent increase in tax payments.

It calculates that every worker contributed R15,400 (£4,052) to mine profits but received on average only R4,800 in earnings and pointed out that "with mining taxes at existing levels more than half of the wage increases will be at the expense of the Government."

At a time when business and economists are crying out for lower taxes and greater stimulation of consumer demand, "what better way is there than for the mines to act unilaterally and slash their tax payments by increasing wages. Thirty per cent will not stagnate in the pockets of black miners.

Mr Johann Liebenberg, the Chamber's chief labour negotiator, said yesterday: "We don't deny that we have the ability to pay more this year. But this is because of the effect of rand depreciation. In dollar terms the gold price declined by 12 per cent last year."

"Unlike other industries we have no control over the price of our product—it is fixed in London and Zurich and New York.

In previous years the gap between the Chamber's offer and the union's demands has resulted in a compromise settlement by early September after a few weeks of tension and brief strike action. Under emergency conditions it would not only be speculative, but could also possibly be construed as subversive to venture a judgment.

Malaysia turns down drugs plea

THE Malaysian Government yesterday rejected a request to spare the life of British-born Australian citizen sentenced to die by hanging for drug trafficking, AP reports from Kuala Lumpur.

Mr Timothy Renton, Britain's Minister of State at the Foreign Office, told reporters before returning to London that he had asked the Malaysian Government to reduce the sentences for Mr Kevin Barlow, 28, a welder from Perth, Australia, to life in prison.

But Mr Tengku Ahmad, the Foreign Minister, said he had told Mr Renton that the government could do nothing for Mr Barlow or Mr Brian Chambers, 29, a building contractor from Sydney.

Kuwaiti ministers offer to resign

Sheikh Sabah al-Ahmed al-Sabah, Kuwait's Deputy Prime Minister, said he and members of the Government had submitted their resignations to Sheikh Saad al-Abdulla al-Sabah, the Prime Minister, according to a Kuwait News Agency report quoted by Reuter. Three ministers, responsible for oil, finance and communications, had been scheduled to face a cross-examination next week in the National Assembly over the conduct of their ministries.

Iranians attack

Iran yesterday claimed to have thrust deep inside Iraq in the central sector of the Gulf War battlefront, but Iraq said its forces repulsed the pre-dawn offensive, AP reports from Cyprus, where broadcasts by the two combatants are monitored. Both sides, however, said fighting was continued in the region.

Fighting around Kabul

Moslem guerrillas have been locked in heavy fighting with government and Soviet forces around Kabul, the Afghan capital, according to Western diplomats quoted yesterday by AP in Islamabad. The nearby town of Paghman had been "completely flattened" by bombardment, they said. Elsewhere, guerrillas had shot down a military transport carrying 100 troops, they said.

Sino-Soviet stalemate

Qian Qichen, China's Deputy Foreign Minister, yesterday described relations with the Soviet Union as stalemated and said he did not know whether a long-awaited meeting of the two countries' foreign ministers would take place this year, Reuter reports from Peking. However, in Moscow, the Communist Party newspaper Pravda said: "all the conditions exist for eliminating difficulties in Sino-Soviet relations." Meanwhile, China and Portugal said their opening talks on the return to China of Portuguese-administered Macao had gone "satisfactorily."

Visits to graves

Mr Shintaro Abe, the Japanese Foreign Minister, said yesterday that the Soviet Union would soon allow Japanese to visit without visas their ancestors' graves on the four Soviet-held Kurile Islands, writes Reuter from Tokyo. Soviet citizens would be allowed under similar arrangements to pay respects to their relatives who had died in Japan. Claims on the islands by both countries have long soured relations between the two.

Seoul talks call

South Korean opposition leader Kim Young-Sam yesterday proposed a meeting of opposition and Government leaders to seek agreement on constitutional changes and moves toward greater democracy, writes AP from Seoul. In a speech to foreign correspondents, he also accused the Government of repressive measures which, he said, raised the question of "whether the present regime is sincerely committed to democratisation as it professes."

Australia to prune another A$1bn from federal budget

BY EMILIA TAGAZA IN CANBERRA

IN A series of moves implementing its austerity plan, the Australian Government has decided to cut its 1986-87 budget by a further A$1bn (£439m). It will remove tax exemptions on certain foreign borrowings in order to increase revenues, and has rejected a proposed pay rise for politicians.

But while the Government seems determined to tighten its belt, there is growing threat of a wage explosion as the powerful Australian Council of Trade Unions (Actu), the central body of unions throughout the country, called on unions to take industrial action to force employers to grant their productivity pay claims.

The Actu move followed last week's decision by the arbitration commission to approve a 2.3 per cent wage rise and to reject unions 3 per cent productivity pay claim. Mr Simon Crean, the Actu president, said the areas most likely to be hit by immediate strikes are the waterfront, oil, coal, building and transport industries.

Meanwhile, the A$1bn budget cut was agreed upon after a long debate between economic ministers led by Mr Paul Keating, the Federal Treasurer, and the heads of the "spending" ministries including welfare, housing and education.

The new round of cuts brings the total reduction of the 1986-1987 budget to more than A$2bn. In his state of the nation address last month, Mr Bob Hawke, the Prime Minister, said the Government had earlier identified A$1bn in budget savings. And late last month, another A$450m was cut from allocations to state governments.

Mr Keating had argued for a 1986-87 budget deficit of as close as possible to A$5bn. In the fiscal year 1985-86 which ended last Monday, the deficit was estimated to have been A$6bn, compared with the projected A$5.1bn.

The Cabinet also agreed further to amend taxation laws in order to cut revenue losses. The amendments would remove tax exemptions or tax deductability on interest on overseas borrowings used to finance corporate takeovers, and on foreign loans of federal and state corporations and authorities.

Lee, Aquino to press for Asean summit in Manila

BY SAMUEL SENOREN IN MANILA

MR LEE KUAN YEW, Singapore's Prime Minister, and Mrs Corazon Aquino, the Philippine President, agreed yesterday on the need to hold a summit of the heads of state of the Association of South-Eeast Asian Nations (Asean) in Manila next year in the wake of falls in prices of key commodities in the region.

Mr Lee, who is the first Asean head of state to visit Manila since the new government took over, met with Mrs Aquino yesterday at the presidential palace where he pledged a token economic assistance of $5m.

The last Asean summit which was in Kuala Lumpur in 1977 was to have been followed next in the Philippines but Mr Lee said the other Asean heads of state refused to come to Manila while the former President, Mr Ferdinand Marcos, who was deposed in a coup last February, was in power.

It was the first time an Asean head of state has ever revealed that Mr Marcos was not liked by counterparts in the bloc which groups Singapore, Philippines, Thailand, Indonesia, Malaysia and Brunei.

"It is no secret that the reason why no Asean summit was held after the 1977 summit in Kuala Lumpur was because many leaders in Asean were reluctant to come to Manila," Mr Lee told Mrs Aquino. The reasons for that reluctance vanished with the departure of Mr Marcos, he added.

Mr Lee and Mrs Aquino agreed that the way forward for Asean was to strengthen cooperation among members more so at a time when the region was undergoing a recession. Prices of tin, oil and coconut which are key products in the region have crashed down.

Zimbabwe allocation plea

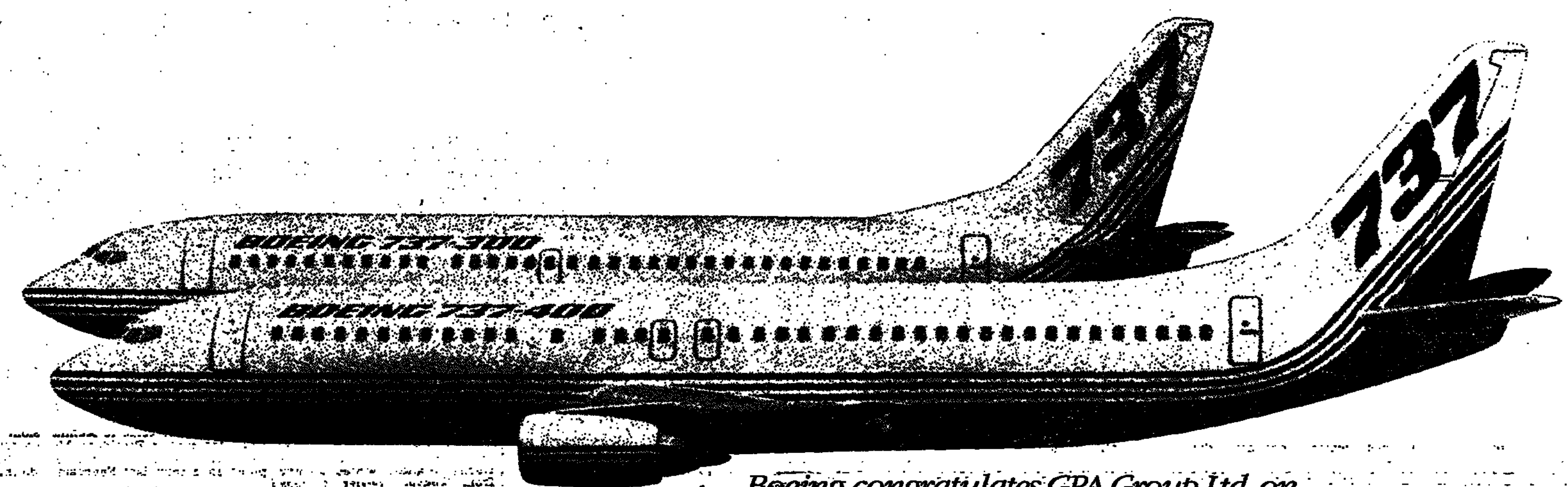
BY TONY HAWKINS IN HARARE

ZIMBABWE needs to increase import allocations to its productive sectors if output, exports and employment are to improve, says the state-owned Zimbabwe Banking Corporation (Zimbank) in its latest economic review.

The bank estimates that Zimbabwe's trade surplus could increase by almost 70 per cent this year to close on Z$500m (£188m) because of higher exports of tobacco, maize, beef and sugar and the reduced cost of imported oil. But this surplus will only be achieved if import allocations are maintained at current levels.

The bank predicts an increase in the country's deficit on invisible account following the decision to relax the March 1984 emergency restrictions on profit and dividend remittances abroad. It warns that unless Zimbabwe can find some way to achieve a substantial improvement in foreign private capital inflows, it runs the risk of being forced to borrow heavily abroad leading to higher debt service, lower import allocations, reduced output and export growth and falling incomes and employment.

GPA Group invests in precious metals.



Boeing congratulates GPA Group Ltd. on its purchase of 81 new Boeing 737s.

GPA Group Limited, one of the world's leading aircraft leasing companies serving more than 50 airlines, is expanding its fleet with the purchase of eighty-one Boeing 737-300 and 737-400 jetliners. GPA ordered twelve 737s last year. With this latest order, GPA will have more than 100 Boeing 737s in its fleet. The 737-300 is the most modern, fuel-efficient aircraft in its class; the 150-seat 737-400 is the newest in the series. There are now more than 135 Boeing 737 operators around the world.

Boeing congratulates GPA on its growth and success. We're proud another industry leader has selected Boeing 737s. It's one investment guaranteed to take off.

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WORLD TRADE NEWS

Pratt & Whitney wins S$460m air engine battle

BY CHRIS SHERWELL IN SINGAPORE

PRATT & WHITNEY of the US, part of the United Technologies group, has defeated General Electric of the US and Rolls-Royce of the UK in the battle for a S$460m (£147m) engine order from Singapore International Airlines (SIA).

The engines are for the 14 Boeing 747-400 aircraft ordered by the island state's flag carrier in March and two Airbus A-310s ordered in May. SIA also took options on six more 747-400s and four more A-310s in a total package reckoned to be worth close to $4bn (£2.6bn).

The order means that Pratt retains its dominance with one of the world's top airlines, despite the fact that it was offering unproven engines for each aircraft.

It is also a significant setback for General Electric, which hoped to displace Pratt for the whole order, especially the Airbus. But it could help Rolls-Royce, which faces a battle with General Electric for a British Airways 747-400 engine order.

SIA said competition was "extremely keen. A decison was made all the more difficult because of the inherent technical merits of each engine type."

Pratt & Whitney appears to have won because of the concessions it offered. Its rivals say the $460m value put on the deal bears litle relation to the cost of everything SIA will be receiving after discounts or in the form of "extras."

These are presumed to cover not only spares but also additional offers in relation to engines in service with SIA. If so, Pratt plainly had a significant built-in advantage in pushing its bottom line below those of the others.

Scandinavian Airlines System (SAS) is ordering 14 jets from McDonnell Douglas Corp at a cost of SKr 3bn (£260m), Reuter reports.

SAS is buying 10 110-seat MD-87 aircraft and four others, either the 133-seat MD-81 or the 156-seat MD-82 model, the airline said.

The award, made after two months' evaluation, covers engines for SIA's firm aircraft orders and for spare engines and parts. The deal is significant not only because of its size but also because of the current state of the aircraft engine market.

The 747-400 is still being developed by Boeing, and each engine supplier has won orders from airlines buying it.

Pratt & Witney engines are to power 10 aircraft ordered by Northwest Orient of the US, General Electric won an order from Lufthansa of West Germany, and Rolls-Royce is to supply the engines for aircraft ordered last month by Cathay Pacific of Hong Kong.

Rolls, with its RB211-524D4D, was bidding to supply engines for the 747-400s only, and did not concern itself with the Airbuses. It was thought by many to be an outsider in the Singapore race, and to have entered the competition so as not to be cut off from information about its rivals.

General Electric, on the other hand, believed it had a technical advantage because it was offering its CF60-80C2B1F engine for the 747-400s and the A-310s. This engine is performing successfully on Airbuses operated by airlines in India, Thailand, Kenya, Turkey and China.

Land Rover takes £50m Australian Army order

By John Griffiths

LAND ROVER has won a contract worth nearly £50m to supply the Australian army with 2,900 vehicles over the next five years.

The awarding of the contract—said to be the largest placed by the military anywhere in the world this year—follows three years' trials involving products of all the major Japanese four-wheel-drive manufacturers, Mercedes and American Motors-owned Jeep.

The vehicles, 2,500 Land Rover 110 models and 400 2-tonne payload six-wheel-drive units, are for delivery over a five-year period starting next year.

Land Rover is a traditional supplier to the Australian army. But lhe latest order was thrown open to international tender in 1982 as a precursor to the trials, code-named "Project Perentie."

They are said to have been among the toughest ever devised by a military authority, involving an 80-man test team using the vehicles over 1m kilometres.

The Land Rovers are to be assembled from Solihull-supplied kits at the Sydney plant of JRA—BL's Australian import susbidiary, which also assembles Honda Integra models. These are sold in Australia under the Rover name.

The 110 models are to be supplied in a variety of configurations, as personnel carriers and for general purpose

JRA last year won the accolade of being Australia's most successful import company. The imports included 1,399 Range Rovers, a total which JRA expects to exceed this year.

The upmarket four-wheel-drive vehicle is said by JRA to have become a particular favourite with the "Pitt Street Pirates"—Sydney's equivalent of London's Sloane Rangers.

Land Rover, which produced 44,500 vehicles last year, is still awaiting a final verdict from the Swiss Army on another major vehicle contract, worth some £60m.

Land Rover believed it had won the order after the first round of trials which began four years ago. However, environmental pressures have led to the short-listed vehicles, undergoing retrials which have yet to be concluded.

US, Japan fail to meet chip row deadline

BY LOUISE KEHOE IN SAN FRANCISCO

US and Japanese trade negotiators failed to meet their Monday deadline for settlement of the bitter semiconductor trade dispute.

US officials again voiced optimism that a broad agreement will be signed shortly. Tension is growing however within the US semiconductor industry which is well aware of the momentous consequencies of either an agreement or a failure to agree.

The US Commerce Department effectively removed Monday's deadline for a settlement by beginning the process of suspending a major Eprom (electrically programmable read-only memory) chip dumping case against Japanese manufacturers.

Suspension of the case is understood to be a key element of a "framework" agreement announced earlier this month.

Negotiations are now scheduled to continue until today. Today the trade officials face a second dumping case deadline. This is the last day on which the Commerce Department can begin the process of suspending the Dram (dynamic random access memory) chip dumping case filed last year by the Reagan Administration.

Although surprised by the Commerce Department action, US chip makers were "fully supportive" of the decision to begin the process of suspending the Eprom suit.

The action "is an indication of the significant progress being made toward resolution of the trade dispute," said a spokesman for the Semiconductor Industry Association, which has represented the US chip makers in the dispute. "A resolution is expected no later than today," he added.

"The potential suspension of the Eprom case is an act of good faith by the US side," said Mr George Scalise, chairman of the semiconductor industry association's public policy committee. "We are seeking a prompt resolution."

As part of the hoped-for settlement, the US industry wants a system to prevent any future Japanese chip dumping through a price and production cost monitoring system. This system is believed to be the subject of intense debate with third-country sales proving a particularly thorny issue.

The US wants the monitoring system to cover all Japanese chip sales—to any country—while the Japanese are said to object to providing information about sales outside the US.

US chip makers are also seeking greater access to the $9bn (£6bn) Japanese chip market where they hold about a 9 per cent market share. The US companies expect to be promised a 20 per cent market share by the end of the decade.

US chip makers believe that a settlement, while not solving all their problems, will provide a major opportunity to arrest growing Japanese domination of the chip market.

If the negotiations fail, however, the US is expected to impose severe restrictions on Japanese electronics and computer imports.

Talks on Brazil computer trade start today

BY IVO DAWNAY AND RICHARD FOSTER IN RIO DE JANEIRO

TALKS aimed at defusing mounting trade tensions between the US and Brazil over information technology open in Paris today amid some scepticism as to whether the Brazilian Government is prepared to give any ground.

The negotiations centre on American objections to Brazil's tough embargo on imports of goods incorporating microprocessors, imposed in October 1984 as part of its strategy for the development of a domestic technology industry.

Last September, President Ronald Reagan launched a Section 30 action against Brazil on the issue, threatening retaliatory action if consultations on information sales failed to ease US access to the Brazilian market.

The move provoked a storm of protest in Brazil, which claimed the action constituted a violation of its sovereign right to protect its domestic producers.

After several months of deadlock, a mission to Brazil by Mr John Whitehead, deputy secretary at the US State Department, won approval for the first substantive talks which open today.

Neither side appears over-optimistic, however, that significant progress can be made. At most, it is hoped that the discussions between Mr Clayton Yeutter, US Trade Representative, and Mr Paulo Tarso, Secretary-General of the Brazilian Foreign Ministry, will find sufficient grounds for further negotiations.

But the gap between the two sides remains substantial. While the US believes it is now for the Brazilians to make suggestions on the liberalisation of their market, Brazil's view is that it has little to offer.

The Government of President Jose Sarney has been under considerable pressure from its own industry to hold firm. An umbrella organisation — the Movimento Brasileiro de Informatica — has recently taken newspaper and television advertising space to ensure that the authorities do not make concessions.

An official of the US Trade Representative's office said in Washington yesterday that a breakdown in the talks could provoke swift retaliatory action — possibly within a month.

Sectors mentioned as possible targets for US sanctions include Brazilian shoe and clothes exports. Bilateral trade between the two countries amounts to some $9bn (£6bn) yearly.

For Brazil, the US is far and away its most important export market, accounting for some $5.5bn in annual sales or almost 40 per cent of Brazil's 1984 trade surplus. A strong visible trade surplus is vital to Brazil to maintain its $10bn-a-year foreign debt servicing.

The Brazilian information technology market has grown substantially in recent years from annual sales of about $200m in 1978 to over $2bn today. While US industry's share of this has fallen from 95 per cent to about 50 per cent last year, its sales volume has increased markedly.

The range of the embargo of the 1984 Brazilian computer and data processing law is all embracing, incorporating restrictions on products ranging from hair dryers to electronic Teddy bears.

As a consequence of the US pressure for greater access, a Brazilian Congressman has moved a bill to allow severe retaliation against any country inhibiting its exports, including a threat to curb the repatriation of profits by foreign companies.

Argentina is offered share in airliner venture

Embraer, the Brazilian aircraft manufacturer, is planning a new 19-passenger turbo-propeller powered airliner to replace from 1990 its existing Bandeirante aircraft, of which more than 460 have been sold so far. Michael Donne reports.

Embraer is offering Argentina a collaborative share in the development programme, under an agreement between the two countries signed earlier this year.

Designated the EMB-123 (no name has been given to the aircraft yet), the new aircraft will be an advanced turbo-prop, involving extensive use of new technology, including materials such as carbon fibre, in its construction.

The total programme cost, including funding for development, prototype construction, testing certification, and tooling for series production, is estimated at $292m (£194m).

Argentina is being offered a one-third share in the programme. The Argentine Government has agreed in principle to participate.

Embraer is planning a unit price of $3m per aircraft, and expects export orders for the new type until the year 2000 will generate sales of $750m.

Weaker $ leads to clothing surge into UK

BY ANTHONY MORETON

THE weakening dollar in the early months of this year led to a surge in imports of clothes into the UK from Far Eastern and other low-cost suppliers.

The rapid rise coincided with a downturn in production which started in the closing months of last year. The downturn has affected not only the UK but West Germany and Belgium.

Most low-cost supplier countries price their contracts in US dollars which has boosted their industries in European markets.

The British Textile Confederation, in its survey of imports for the first quarter of 1986, published today, shows that the volume of clothes coming into the UK rose by 16 per cent compared with the same months of 1985. Fibre imports by contrast dropped 2 per cent.

Exports have also been falling. Fibres dropped off 14 per cent and clothes by 3 per cent over the 12 months which resulted in the adverse balance of trade rising by £36m to £733m in the first quarter of this year.

Imports of clothes have been rising sharply since spring 1985. This rise is directly attributable, according to the BTC, to the change in the dollar parity. Comitextil, the Brussels-based European textile confederation, said trade has tended to look again towards South-East Asian suppliers after a period in which exchange-rate movements gave the European industry a breathing space.

Imports into most European countries increased "considerably" at the beginning of this year.

British Textile Confederation. Textile and Clothing Imports in the First Quarter of 1986. BTC, 24 Buckingham Gate, S.W.1. £25.

Bechtel Indian order

Bechtel Western Power, a unit of Bechtel of the US, has been awarded a contract by Bharat Heavy Electricals of India to provide design, engineering and other services at the Indian Government's $36m (£24m) Hazira gas-processing complex near Bombay, AP-DJ reports.

Cairo in $190m radar deal

WESTINGHOUSE of the US has won a $190m (£126m) contract to supply TPS-63 radar units to the Egyptian military, Tony Walker reports. The sale is being funded under the US military aid programme.

The agreement, which came into effect in April, provides for the assembly of the radars at a military factory north of Cairo.

Egypt hopes it can utilise the expertise gained assembling the TPS-63s to generate sales of the Westinghouse product to third countries in the region with US approval.

AMERICAN NEWS

Pressure on Garcia continues despite minister's resignation

BY ROBERT GRAHAM, LATIN AMERICA EDITOR, IN LONDON

PRESIDENT Alan Garcia of Peru is under strong pressure to remove more senior officials to counter public unease over the brutal handling of three Lima jail mutinies two weeks ago that left at least 250 prisoners dead.

The pressure for the resignations comes despite the resignation on Monday of Mr Luis Gonzalez Posada, the Justice Minister and a close adviser of President Garcia.

President Garcia is understood to be considering whether or not to press for the resignation of at least one more minister. This would probably be a trade-off for the resignation of a prominent member of the armed forces.

On Monday, the Justice Minister resigned only hours after the Government had dismissed Gen Andres Maximo Lira, head of the para-military Republican Guard.

Members of the opposition leftist alliance, Izquierda Unida (IU) have demanded the resignation of the Justice and Interior Ministers plus the Ministers of the Armed Forces.

An IU senator, Mr Javier Diez Canesco, was the first to challenge official accounts of the storming of the three prisons which contained members of the fanatical Maoist guerilla group, Sendero Luminoso.

He claimed that the security forces had killed in cold blood large numbers of prisoners at Lurigancho prison.

Last week President Garcia, promising to carry out a full investigation, admitted that at least 100 prisoners from the three jails had been killed after surrendering to security forces.

Despite the stridency of the opposition and their efforts to embarrass the 11-month-old Government of Mr Garcia, the President's main problem continues to be the military.

Since the weekend, rumours of a possible military coup have been circulating in Lima. However, some commentators believe these rumours have been government inspired, designed to alert the public to the dangers of a coup and test the real feeling within the armed forces.

US and Hong Kong reach textile accord

BY STEWART FLEMING IN WASHINGTON

THE US and Hong Kong have reached agreement on a bilateral textile and clothing trade agreement which Hong Kong officials said on Monday would sharply restrict its textile exports to the US. It extends controls on Hong Kong exports of silk and ramie (a linen-like textile) fabrics.

Hong Kong officials said that the US had taken an extremely tough stance in the negotiations, which they suggested was designed to impress the US Congress with US determination to curb textile imports and so weaken support for the legislation already in Congress to curb textile imports to America.

The tough terms agreed with Hong Kong are less onerous than the curbs which the Administration's critics have demanded.

The accord permits volume growth of exports to the US of only half a percentage point in 1986 over 1985 levels rising to 2.5 per cent growth in 1991, the last year of the agreement.

Another new element in the agreement is the division of textiles into "apparel" and "non-apparel" groups for each of the main types of fibre-cotton-wool, man-made fibre and silk and ramie, a step which will also tend to restrict US imports.

The American Textile Manufacturers Institute attacked the agreement as "outrageous." It said the pact would permit Hong Kong to increase its textile and clothing exports to the US by about 25m sq yds between now and 1991, rather than cutting back such shipments.

The US effort to secure bilateral agreements with major suppliers before completion of a Multi-Fibre Arrangement, being negotiated now, is seen as designed in part to establish precedents in one-on-one talks which can be incorporated into the MFA.

Mary Helen Spooner on demands for economic and political reform

Chile strike call will test opposition

AN ADVERTISEMENT broadcast recently on a Chilean radio station featured an elderly man describing how his mortgage payments had increased almost geometrically over the past few years, beyond his capacity to meet them. The opening notes of Beethoven's Fifth Symphony follow, then a narrator announces that "the country cannot go on like this. Support the 'Demand of Chile'."

The radio spot forms part of a protest campaign by the National Civic Assembly, an umbrella organisation which includes a segment of Chile's Truckers' Federation, professional guilds, labour and student unions plus groups of small business owners, retirees and domestic debtors. Two months ago the newly formed assembly demanded a list of economic and political reforms and announced it would begin a campaign of civil disobedience against General Augusto Pinochet's regime if the reforms, dubbed the "Demand of Chile," were not undertaken.

The credibility of this grouping of the opposition will be tested for the first time today when it calls for a two-day protest stoppage. In the past three years opposition groups have called for protest stoppages but this has never been attempted by such a broad front of differing organisations.

The assembly has urged the public to boycott the commercial sponsors of Chile's tightly controlled television news programmes. The boycott might succeed in embarrassing some of the sponsors, who

Gen Pinochet: opposed to open elections

include Bayer Aspirin, Pond's Cosmetic and Citicorp Mutual Funds. But most Chilean opposition leaders admit privately that the assembly's efforts to capitalise on economic unrest are unlikely to weaken General Pinochet's grip on power for the time being.

Some of the latest economic indicators suggest a modest upturn: increases in agricultural and industrial production, a $616m (£410m) trade surplus during the first four and a half months of the year, plus a gradual shrinkage in unemployment levels—11.1 per cent down from the roughly 15 per cent of a year ago. Neither figure includes the underemployed or the aproximately 8 per cent of the Chilean labour force enrolled in government work projects for the unemployed.

One of the biggest sources of economic dissatisfaction, heavy internal inedbtedness, has over the years become a means for General Augusto Pinochet's regime to increase its influence. Thousands of Chileans acquired dollar-denominated domestic lons in the late 1970s and early 1980s, when the exchange rate was fixed and financial institutions offered dollar loans at lower interest rates than peso loans.

Succeeding devaluations since mid-1982 left these debtors with corespondingly increased obligations which their peso incomes could not meet.

In 1983 and 1984 the Government undertook two massive domestic debt renegotiations involving 99 per cent of all individual debtors and 25 per cent of banking system assets. Some sectors, such as Chile's truckers, have clamoured for more relief. Although the International Monetary Fund and the World Bank have discouraged new reprogrammings or subsidies, Chilean authorities have been able to quell a sizeable amount of unrest with either the offer of domestic debt renegotiation or the implicit threat that such relief could be withdrawn.

"This Government has discovered the political advantages of the economic crisis," said Mr Ricardo Lagos, a Socialist economist. "The Chilean business community is very aware of this pressure, with a third of its debt controlled by the Government." As a result, he said, Chile's business community comprises one of the few remaining strongholds of support for the Pinochet regime.

Nevertheless, some Chilean private sector leaders, mindful of the approach of 1989, the year General Pinochet's term in office is due to end, have agreed to meet with opposition leaders to discuss their positions. This past week the board of directors of Chile's Industrial Society met with Mr Lagos and other Socialist Party leaders.

While this meeting yielded little in the way of understanding between two such diverse groups, the industrial leaders plan to hold future meetings with representatives of other Chilean political parties.

General Pinochet, meanwhile, has indicated he opposes open elections in 1989 and that the regime's original plan for a yes or no plebiscite to approve a government-appointed candidate to serve an eight year presidential term will be carried out. The candidate could be either a civilian or a military officer, including General Pinochet himself.

Mr Edgardo Boeninger, a Christian Democrat and director of the Santiago-based centre for Development Studies, predicts that if there is no major breakthrough on the part of Chilean opposition groups before the end of the year, the country's political parties will have to direct their attentions to a strategy for 1989.

"Pinochet is doing his best to convince the army to be institutionally committed to his notion of a protected democracy," he said. "One of the worst mistakes the opposition has made has been to underestimate this regime—not just Pinochet but the entire military apparatus."

US economic index rises 0.2%

THE US index of leading indicators, a barometer of future economic activity, rose a modest 0.2 per cent in May, the Department of Commerce said yesterday, Reuter reports from Washington.

The slight increase means the US economy is neither showing signs of picking up steam in the future, nor is it falling into a recession, analysts said.

However, the White House was more optimistic . It said the increase pointed to an upswing in the economy in the second half of 1986. "With interest rates again dropping lower and leading indicators still climbing, we expect strong third and fourth quarter growth to continue to fuel the Reagan economic expansion."

The index of leading indicators rose a revised 1.3 per cent in April, the department said. It previously said the index had risen 1.5 per cent in April.

The index is composed of about a dozen economic indicators and usually foretells what the economy will be doing several months ahead.

The Commerce Department said the index in May stood at 178.8 over its 1967 base of 100.

The May advance was the smallest since January when the index fell 0.2 per cent. It follows a string of lacklustre US economic data.

The Commerce Department also said yesterday that sales of single-family homes fell 11.6 per cent in May, the sharpest drop in more than two years. Earlier this month the department revised its estimate of first quarter Gross National Product to reflect a modest 2.9 per cent growth over the rate of inflation compared with a strong 3.7 per cent growth rate it previously had estimated for the period.

Population up 2.5% in Brazil

BRAZIL'S population grew 2.5 per cent annually over the past decade, the fastest growth rate among the world's most populous countries, according to figures released by the National Statistics Institute (IBGE), Reuter reports from Rio de Janeiro.

The growth in the Brazilian population, to 135.5m people, was due in part to improvements in health conditions which have increased Brazilian life expectancy to 64 years, with 58 years projected by the year 2000.

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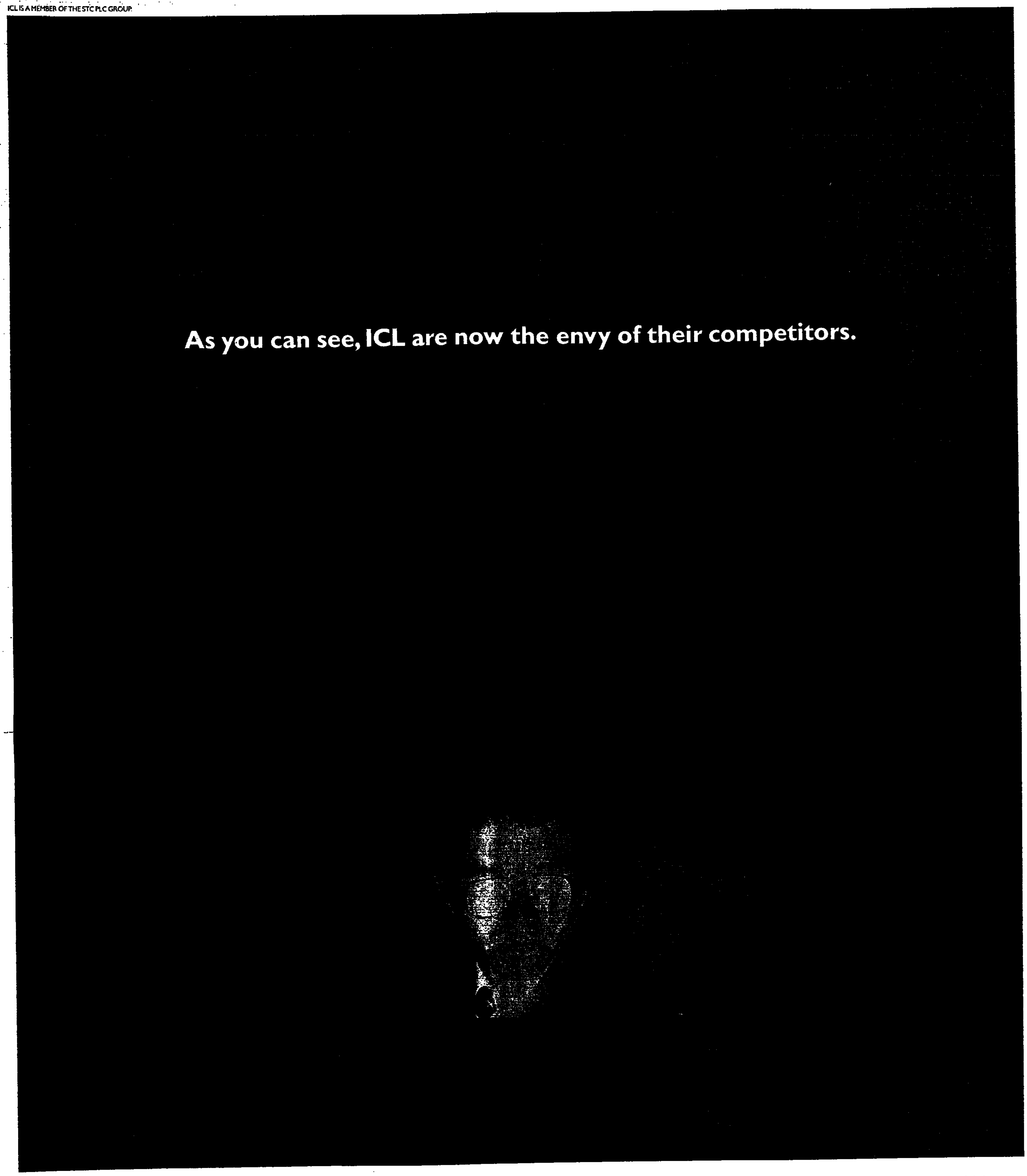

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APPOINTMENTS

Management moves at BP Chemicals

Mr A. J. S. Hooper, formerly general manager chemicals, has been appointed to the board of BP CHEMICALS. He succeeds **Mr S. J. Ahearne** who has been appointed BP group controller. **Mr John Hooper** will be responsible for the chemicals business, commercial department, and regionally for the Americas. The following changes in directors' portfolios are taking place: **Mr J. J. Lamert** will assume responsibility, at a date to be announced, for the solvents business in addition to his BP Chimie and Middle East and North Africa (MENA) regional responsibilities. **Mr C. H. Thompson** has become responsible regionally for Europe. He will remain responsible for the petro-chemicals business, production department, personnel and administration department and external affairs division.

★

ADVENT SYSTEMS, Wokingham, has appointed **Mr Martin Griffin**, former ICL general manager of sales development, as managing director. **Mr Leendert van Driel** of the Utrecht-based Gilde Venture Fund becomes non-executive chairman.

★

Mr Peter Andrews has been appointed managing director (operations) and will be responsible for the day-to-day operations of all companies in SPP group. Mr Andrews, who is a member of the group board, was previously managing director of SPP subsidiary Godiva Fire Pumps, where he is succeeded by **Mr Ron Appleton**, who was financial director.

★

PANNELL KERR FORSTER ASSOCIATES has appointed **Mr Alan Stanley** as executive director in the Manchester office.

Siemens Chairman of

Sir John ("Jock") Lang Taylor has been appointed chairman of SIEMENS. Sir Jock, who is a former ambassador to the Federal Republic of Germany, succeeds **Mr Hannes Vahl**, who relinquished his post as company chairman and managing director on his retirement. Mr Vahl rejoins the board as a non-executive director. **Mr Juergen Gehrels** has been appointed managing director. He comes to Siemens Limited from the parent concern, Siemens AG, where he was responsible for the industrial electronics for factory automation division of the company's power engineering and automation group.

★

Mr Leslie E. May has been appointed a director of AJ CREDIT.

★

Mr Gerald Bartlett will be leaving his post as managing director of RABONE CHESTERMAN on July 18 to join the board of the Simplex Electrical Group. **Mr Barry Westropp**, group managing director of Bardsey, the holding company of Rabone Chesterman, will assume executive responsibility until a successor to Mr Bartlett is appointed.

★

Mr Alan Cade, previously manager and secretary, General Accident Life, has become company secretary, GENERAL ACCIDENT. His appointment follows the retirement of **Mr Leslie Mansfield**. **Mr Ian Chambers**, head office manager, General Accident, becomes manager and secretary of General Accident Life.

★

Mr Bernard Chitty has become finance director of MCAVOY WREFORD BAYLEY. He was finance controller with the PA Consulting Services Group.

★

NMW COMPUTERS has appointed **Mr Bernard Brown**, a senior director of jobbers Smith Newcourt, as a non-executive director. NMW Computers handles the "back office" settlement and accounting of Stock Exchange transactions on behalf of many stockbrokers. By arrangement with NMW, the Stock Exchange may appoint a nominee to the company's board and Mr Brown will be fulfilling this responsibility.

★

FRAZER-NASH has reorganised its engineering activities. Frazer-Nash (Engineering) becomes an autonomous subsidiary of Frazer-Nash. The director and general manager will be **Mr G. T. May**. This change will consolidate the mechanical design, development and manufacturing aspects of the Group.

★

Mr John E. R. Lee has been appointed a director of BUSINESS DEVELOPMENT CONSULTANTS (INTERNATIONAL), part of the Minet Group.

★

HALMA has appointed three members to the board of its security and office technology division. They are **Mr G. McNamara**, managing director of A & G Security Electronics; **Mr C. M. Miller**, managing director of Microphax; and **Mr A. F. Forty**, deputy managing director of MAB Services.

★

The UK representative of the CAISSE CENTRALE DES BANQUES POPULAIRES, **Mr Eric de Gelder**, is leaving London. His successor, **Mr Christian Tellier** will assume the responsibilities of the representative in September.

★

GROUPE CAIB of Brussels has reorganised its UK interests, following the acquisition of Traffic Services. A new company, CAIB UK has been formed, which will combine the four existing companies: Storage and Transport System, Marcroft Engineering, Railcall, and Traffic Services, which will trade as divisions of the new company. **Mr J. F. Weerts**, chief executive of Groupe Caib, is chairman; managing director, **Mr Jeremy M. S. Getch**; deputy managing director, **Mr G. Tom Head**. Groupe Caib is ultimately owned by Brambles Industries, Sydney.

Samuel Montagu board posts

Mr Larry Clyde has joined the boards of SAMUEL MONTAGU & CO (HOLDINGS) and Samuel *Montagu & Co Limited* and **Mr Peter Axten**, chief executive of Montagu Investment has joined the board of Samuel Montagu & Co (Holdings), **Mr Emmanuel Zuridis**, who was formerly general manager of Italian International Bank, London, has joined the board of Samuel Montagu & Co taking responsibility for activities in southern Europe.

★

Dr Brian E. Davis has been appointed deputy general manager (technology) for NATIONWIDE BUILDING SOCIETY. He joins from Esso UK and Esso Europe where he was computer applications (systems) manager.

★

The AGATE GROUP has restructured the main board. **Mr Norman A. Holmes**, who recently resigned as a main board member and managing director of the construction, property and housing activities of the Turriff Corporation, takes over as chairman and chief executive. **Mr David R. C. Reeves** becomes group financial and development director. **Mr Neil Cunningham** remains main board director responsible for construction.

★

HEPWORTH CERAMIC HOLDINGS has appointed **Mr F. Sinclair Thomson** as group chief executive. He was on the board of TI Group and chairman of TI Domestic Appliances.

★

Mr David Klosen has been appointed finance director of OCEANEERING INTERNATIONAL SERVICES. He was executive director and group finance controller at John Wood Group.

★

Mr John Wood, chairman of McCorquodale, will succeed **Mr David Peake** as chairman of HARGREAVES GROUP from August 1. Mr Peake is retiring from Hargreaves to devote more time to his responsibilities as a vice chairman of Kleinwort Benson.

★

ELECTROCOMPONENTS has appointed **Mr Robert Tomkinson** finance director. He joins from Automotive Products, where he was finance director.

★

JACKSON GROUP has appointed two additional directors **Mr Ken Tann**, recently retired from Pannell Kerr Forster, takes up a non-executive appointment, while **Mr Mike Hodkinson** moves to the group board from that of the building subsidiary, F. J. Construction.

★

Mr Michael Fish has been appointed to a new post, general manager, engineering operations, in a restructuring of LONDON UNDERGROUND'S engineering.

INVESTMENT MANAGEMENT

WELLS FARGO BANK

When passivity pays

By Clive Wolman

THE BLEEPING of computer terminals provides the only break in the eerie silence at the offices of Wells Fargo Investment Advisors.

No conventional investment manager would realise that from these 11th-floor offices in the financial district of San Francisco is controlled the largest portfolio of company shares in the US, and possibly the world, valued at about $40bn (£27bn).

The desk tops are clean, virtually empty, and the traditional mounds of dog-eared, scrawled-over company accounts and brokers' reports are nowhere to be seen. Where are the giant screens to show what is going on at the New York Stock Exchange? Why is there no one barking into his telephone with frantic instructions to the stockbrokers?

The company, a subsidiary of Wells Fargo bank, employs just nine managers to direct its investments. By comparison, the largest fund managers in the UK, S. G. Warburg and PosTel Investment Management, each employ about eight times as many managers to invest less than half that sum of money.

With its wagon and horse logos and exhibitions, Wells Fargo has traditionally associated itself with the adventurism of the Wild West. But its investment management philosophy has more in common with eastern fatalism.

For the last 20 years, business school professors have been casting scorn on the long hours and feverish energy burnt up by stockbrokers and fund managers trying to make money by forecasting market trends and spotting shares about to shoot up. It is all to no avail, they say. A six-year-old child, even a chimpanzee, will, on average, do just as well as the professionals by picking a portfolio of shares at random.

They explain that share price movements are generally unpredictable because the current price of company shares already reflects all the available information about the company.

Wells Fargo was particularly exposed to the efficient market theory, as it was called, because one of the main centres of the new scepticism was the University of California at Berkeley. In the early 1970s, a stream of learned papers and computer print-outs full of obscure statistical tests of randomness crossed San Francisco bay to the bank's offices.

In response, Wells Fargo set up the first ever passively-managed, index-tracking fund in 1973. It was, and is, designed to track the returns from the Standard and Poors 500 index, one of the most widely used measures of the fortunes of the US stock market. This is achieved by investing in all the companies that make up the index in proportion to their market capitalisations without trying to pick winners and avoid losers.

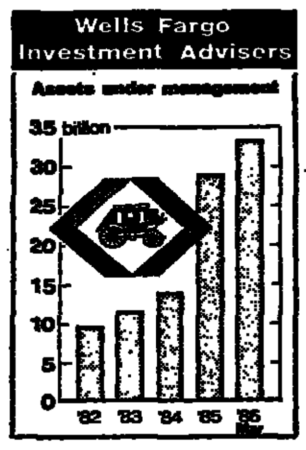
After years of slow growth, passive management has suddenly won a mass of adherents over the last 18 months. Wells Fargo's funds under management have nearly trebled. An extra $9bn of new money has flowed in during the first five months of 1986 alone. Overall, passive managers now control about $100bn of assets or nearly 10 per cent of the US equity market, as pension plan sponsors have become disillusioned with their traditional, active investment managers. For three successive years, from 1983 to 1985, the activists generally achieved substantially lower returns for their clients than the US stock market averages.

"Until 1983 we were not making much of a profit," says Mr Jeff Skelton, senior vice president. "It has taken a long time for the idea really to catch on."

The correct number of shares of each company in the Wells Fargo portfolio is determined by a complex formula. The instructions on where to invest each additional $10,000 as it comes in are generated by computer. The programme is designed to minimise transaction costs, taking into account the marketability of the various securities.

Wells Fargo is able to cut transaction costs further by crossing about 50 per cent of all deals with other in-house funds. Additional income is generated by lending stock to market makers and investors who have made short sales.

The security clearance, accounting and other back-office operations are all highly computerised. As a result, the total staff including clerical and sales staff, is only 90. According to Mr Skelton: "No other investment management is so completely automated. The only way we could survive in this business was by making a very large investment in computer systems."



The computers give Wells Fargo two major advantages over active managers: the guarantee that it will achieve returns almost exactly in line with the stock market and its sharply lower transaction costs and lower charges. To manage a $100m pension fund, the average active US fund manager will typically charge about $300,000 a year (0.3 per cent). Wells Fargo charges only about $90,000. For a very large fund of, say, $1bn of assets, Wells Fargo will charge as little as $200,000 (0.02 per cent), about one eighth of what an active manager would charge.

Wells Fargo now manages about $23bn in its S & P 500 index-tracking fund. Its other funds are variations on the same theme.

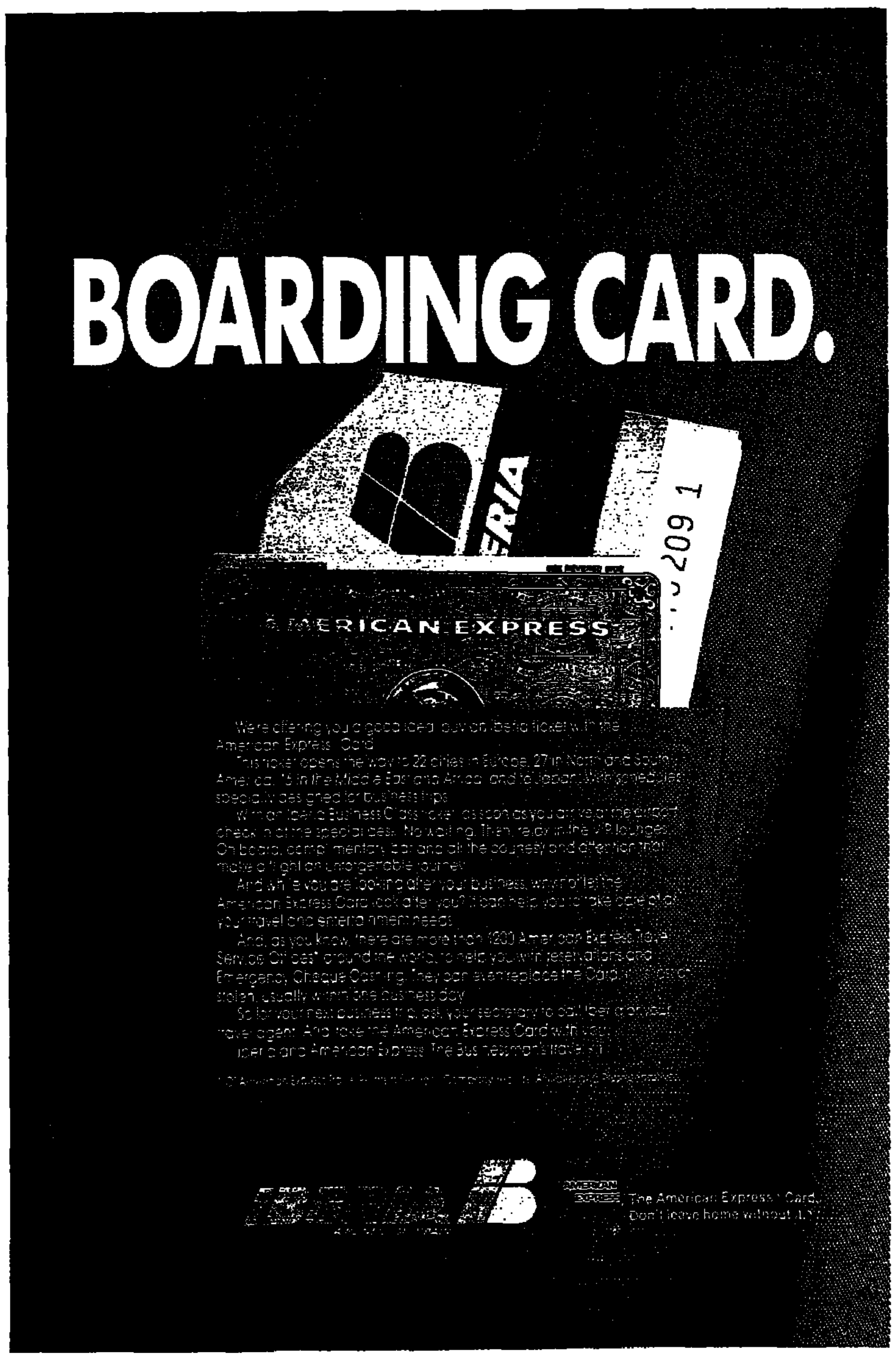
The extended market fund, whose passively managed portfolio extends to smaller companies outside the S & P 500, has assets of $4bn and another smaller companies fund, which excludes companies with large market capitalisation, has assets of $1bn. These funds were set up in response to accumulating academic evidence that over the long run, a portfolio of smaller companies generally outperforms one of large companies.

Wells Fargo also manages $3bn in a bond fund and has recently set up an international equity index-matching fund. This invests in sub-funds which track the stock market indices in nine countries outside the US. The fund has assets of $200m.

There is a small amount of money in funds which aim to achieve above-average returns by tilting a portfolio of shares in favour of certain industrial sectors — and by switching money between equities and bonds. According to Mr Bob Haber, marketing vice-president, this is not a deviation from the company's basic passive management strategy as all the decisions are made by applying simple, mechanical formulae in a highly systematic way.

So far UK investors have shown little interest in Wells Fargo's approach. Six years ago the bank launched a fund in London designed to track the returns from the UK stock market as measured by the FT-Actuaries All Share Index. After less than three years it withdrew because of lack of response.

Since then, pension fund trustees have been taking more interest in passive management. This is largely a result of the growing evidence that, in the UK too, the average pension fund manager has consistently achieved substantially lower returns than the stock market index. The field has been dominated by Frank Russell, the US pension consultants, and subsidiaries of Barclays, National Westminster and Lloyds banks. But the total assets in their passively managed funds are still only about £2bn.



UK NEWS

BR in talks on sending newspapers by road

By Andrew Fisher, Transport Correspondent

BRITISH RAIL'S heavy losses on newspaper distribution have led it to open talks with publishers on the possibility of sending some papers by road where this would be cheaper than rail.

With the move to road earlier this year by News International, publisher of The Times and Sun, BR is losing money on newspapers and sees little chance of making this up by cost-cutting on its remaining business in this sector.

Thus it is suggesting a deal, which could include a link-up with local road services on some routes. Full details have still to be worked out by BR and no formal proposals have been put to newspapers.

News International left BR, when it began its controversial printing operation at Wapping, east London. BR said the company had just confirmed it had no plans to return to rail while industrial relations over Wapping remained tense.

News International accounted for about a third of BR's newspaper business: BR, which has about half the market against 80 per cent before, uses 75 special trains from London and Manchester and employs 1,000 handling and train crew staff for newspaper distribution.

Mr Brian Burdsall, BR's parcels director, said: "We are looking at keeping the quality service we have got now. The critical thing is that the rail system has been denuded of a large amount of revenue."

He said News International had told BR it had no complaints about rail distribution; the change to road being part of the strategy behind its move to Wapping. To fulfil its remaining contracts, however, BR still needed to maintain its network and trains.

BR hopes by the end of this year to have completed a study of the scope for partial use of road. It aims to produce short-term plans to be implemented in newspapers' current five-year contracts to 1990, and longer-term plans to put the business on a firmer basis.

BR wants to reassure publishers that it is not leaving the business after the problems caused by News International's departure.

Max Wilkinson concludes the series on privatising British Gas

Sparking interest in the big sale

THE NIGHTMARE of those entrusted with the launch of £5bn to £6bn worth of British Gas into the private sector must be that the stock market will collapse under its weight.

Whatever their private fears, officials naturally discount the possibilities of failure, like seasoned campaigners emboldened by the tally of past victories. After British Telecom, Jaguar, Cable & Wireless, and even Britoil, the Government should have amassed enough experience to skirt at least the obvious dangers of a flop.

However, the sale of British Gas is much bigger than most other privatisations. It could fetch half as much again as the 50.2 per cent of British Telecom sold in November 1984 which raised £3.9bn.

Because of its size, this flotation will have a significant impact on the Treasury's overall economic strategy, and it may be that the strategy itself will be influenced by the political imperative of making a success of the sale.

The authorities might, for example, try to arrange a favourable market by holding interest rates higher than they need to be in the early part of the year, then pushing them down judiciously, just as the City is raising steam for the issue in the autumn.

Mr Stephen Lewis, economic analyst for the broker Phillips and Drew, said: "The obvious way to get British Gas off the ground is to underprice it, but the authorities also need a strong market background, or at least a neutral background which they might get by massaging the sale of gilt-edged stock."

Nobody doubts that the authorities will want to create the impression that British Gas is going cheap. Any barrow boy knows that is how to shift a lot of stock in a hurry. Nevertheless, the Government has a powerful motive to maximise the proceeds, because British Gas is large enough to have a significant impact on its financial arithmetic.

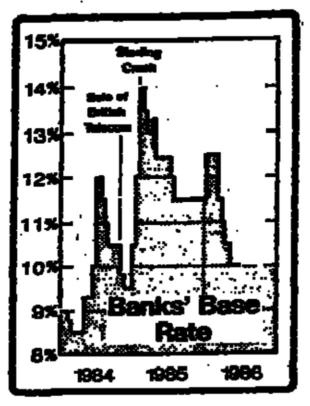
If it were to raise £6bn, that would be exactly equal to the scope for tax cuts in the next two years (up to 1988-89) pencilled into the Government's medium-term financial strategy.

One has to be wary of making too direct a connection between privatisation and tax cuts, because the Treasury always claims that its borrowing target might have been different if no state sell-offs were planned. However, at present levels of public expenditure, tax cuts can be financed only by selling assets or by selling debt.

With public borrowing limits established as a symbol of financial purity, the Government's chance of being able to offer significant tax cuts before the next election depends crucially on its ability to accelerate the privatisation programme to about twice the rate achieved.

Privatisation is expected to contribute £4½bn a year to the exchequer until the end of the decade, which is more than the reduced projections for revenues from North Sea oil.

It may seem strange, even absurd, that the scope for tax cuts should be thought to be linked with the change of ownership of a public utility. The main effect of the sale will be to give the Government cash in hand at the expense of future revenues. If it distributes the proceeds, taxes at some future date will have to be higher than they would otherwise have been.



It is not so much selling the family silver as selling part of the family business.

Nevertheless, by accounting convention, asset sales appear as negative public expenditure, so there is a strong political temptation, especially in the run-up to an election, to see them as a balancing item for tax cuts. This provides a strong motive to achieve a high figure.

If the City is right that British Gas must be sold "cheap," the question is: "Cheap in relation to what?" Since many potential buyers are likely to see the stock as a safe, high-yielding alternative to gilts, the Government's present and future interest rate policy will be an important part of the investors' calculations.

Moreover, from the Government's point of view the psychology of the markets in November will be highly important, because it would be embarrassing to postpone the sale and because it wants to attract perhaps 4m small investors. They might not put their hands in their pockets at any price unless they felt the market as a whole was going places.

Will the authorities try to arrange a spell of artificial sunshine for their important financial event? They hope we will never know. If all goes well they will modestly disclaim the credit, and if otherwise . . .

The chances are that Mr Nigel Lawson, the Chancellor, will play safe after the trauma of January 1985 when he suffered a full-scale sterling crisis and was forced to push interest rates up to unprecedented real levels. This followed a period in autumn 1984 when interest rates had been allowed to fall mainly in an attempt to stimulate economic growth, but at least partly with an eye to getting the British Telecom issue safely off the ground.

Interest rates are high again in relation to those in the rest of the world, as indeed they were in the summer of 1984. Once again the Chancellor must be wondering when it will be safe to reduce interest rates and will be thinking that it would be convenient if the right time turned out to be November.

That may be as far as it goes. The Government also needs low inflation to win the next election, and with average earnings still rising at an annual rate of 7½ per cent, the Chancellor cannot afford to take the slightest chance of a slide in sterling.

Anything would be better than that, even if British Gas had to be withdrawn from the shelves — or remaindered.

MSC plans campaign on adult training

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

TELEVISION advertising to persuade people of the need for more adult training is planned by the Manpower Services Commission.

This follows the first phase of a television and newspaper advertising campaign for the Youth Training Scheme, which research suggests has doubled public awareness of it.

If the commission approves the adult training campaign, it will begin early next year. Officials are impressed by test commercials produced for the MSC by the advertising agency Wight Collins Rutherford Scott.

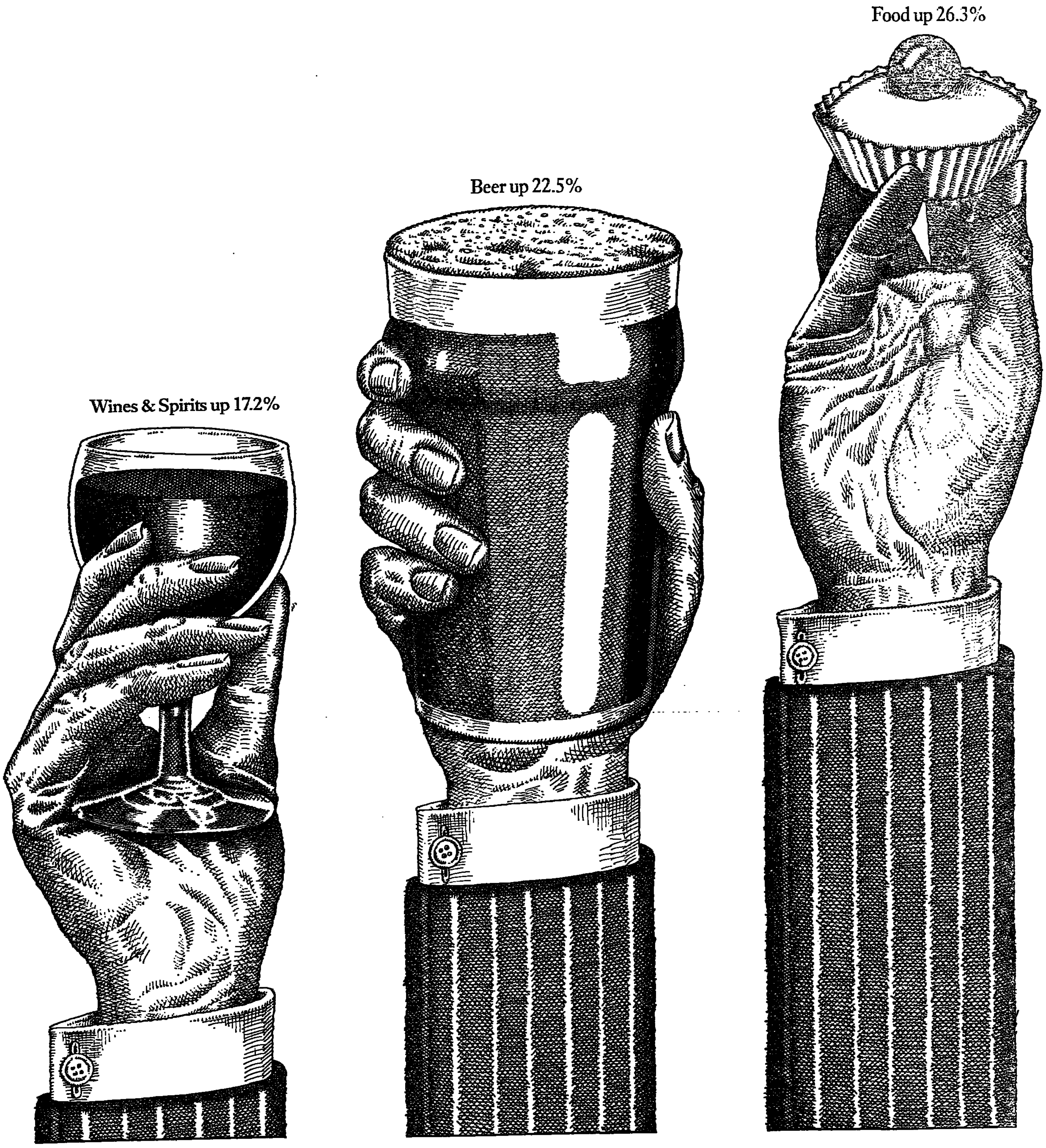
Persuading employers and employees to devote resources and time to updating the skills of adult workers has proved one of the most difficult parts of the MSC's efforts to modernise training. Officials are, however, heartened by recent good attendances at regional training seminars for the small business sector.

Mr Bryan Nicholson, MSC chairman, sees the proposed advertising campaign as the third part of a three-fold strategy to demonstrate the importance of adult training.

"First of all we had to get our research data together properly, and then we concentrated on raising the awareness of opinion-formers in industry and elsewhere. We are probably getting to the point where we can start trying to get more powerful messages across to public opinion at large."

The MSC launched an extensive advertising campaign in April to coincide with the introduction of two-year YTS. Research shows that public awareness of YTS increased from 36 per cent in January to 71 per cent in April. Awareness among young people rose from 48 per cent to 85 per cent.

Attitudes towards YTS are also shown to have improved, although not to the same degree. For example, those agreeing that "the new two-year YTS shows something is really being done to train young people" rose from 62 per cent to 68 per cent between January and April.


Food up 26.3%
Beer up 22.5%
Wines & Spirits up 17.2%

UK NEWS

Coopers & Lybrand again leads earnings league

COOPERS & Lybrand has confirmed its position as the top UK accounting firm measured by fee income in 1985, according to a Financial Times survey, Lionel Barber writes.

Coopers boosted fee income by 21.3 per cent to £119.4m, outstripping its main rivals, Peat Marwick Mitchell and Price Waterhouse, both of which topped the £100m fee mark.

The survey shows that 1985 was another boom year for the accountancy profession with fee income up by 24 per cent in the top 10 firms, well above a prevailing 5 per cent inflation rate.

Accountants have traditionally relied on audits and insolvency business. Growth is now sharpest in other areas such as management consultancy and corporate finance work.

Coopers, which toppled Peat Marwick from the head of the table last year, drew 61.3 per cent of its fee income from these activities. This was far higher than any other UK accountancy firm, though Price Waterhouse, in third position, derived around half of its business from non-audit work.

Mr Brandon Gough, senior partner at Coopers, said his firm's success was built on adding value to clients' businesses through services such as management consultancy. But he said that Coopers intended to focus on auditing in 1986. "There is a risk in driving down expenses in auditing," he said, referring to the cut-throat competition among firms for audit work.

Peat Marwick, in contrast to Coopers, derived almost two-thirds of its fees from auditing, though it is not clear that the definitions are totally comparable. But Peat Marwick made a big effort to catch up with Coopers, raising fee income by 29.7 per cent to £114.4m and boosting professional staff (excluding partners) to 3,600, the highest figure in the table

Touche Ross showed the fastest growth in fee income, a 37 per cent rise on 1984. This enabled Touche to move into sixth place above Arthur Young.

TOP ACCOUNTANCY FIRMS BY FEE INCOME

Rank	Firm	Fees 1985 (£m)*	% change 84/85	Non-auditing fees (£m)†	Partners	Professional staff	Staff/Part ratio	Total professional staff	Number of offices	Fees/partner ratio (£000's)	Fees/total professional staff ratio (£000's)	Year end
1	Coopers & Lybrand‡	119.4	21.3	61.3	267	3,245	12.2	3,512	37	447.2	34.0	31.3.86
2	Peat Marwick Mitchell‡	114.4	29.7	34.3	259	3,600	13.9	3,859	42	441.7	29.6	31.3.86
3	Price Waterhouse‡	108.9	23.5	51.0	247	2,722	11.0	2,969	20	440.9	36.7	31.3.86
4	Deloitte Haskins & Sells‡	99.3	23.7	39.7	251	3,002	12.0	3,253	28	395.6	30.5	26.4.86
5	Ernst & Whinney	82.9	20.3	n.a.	202	2,476	12.3	2,678	23	410.4	33.5	31.3.86
6	Touche Ross‡	76.5	37.0	30.6est.	205	2,040	10.0	2,245	22	373.2	34.1	Apr. 86
7	Arthur Young‡	75.0	23.0	42.8est.	205	2,213	10.8	2,418	23	365.9	31.0	2.5.86
8	Arthur Andersen‡	67.1	25.7	36.9est.	121	1,555	12.8	1,676	16	554.5	40.0	31.3.86
9	Grant Thornton	58.0	18.4	n.a.	255	2,139	8.4	2,394	55	227.5	24.2	31.3.86
10	KMG Thomson McLintock‡	52.5	20.0	22.9	148	1,811	12.2	1,959	22	254.8	26.8	31.3.86
11	Spicer & Pegler	44.0	29.4	19.0	156	1,459	9.4	1,615	29	282.1	27.2	30.4.86
12	Binder Hamlyn	36.2	17.5	18.1	137	1,201	8.8	1,338	24	264.2	27.1	Apr. 86
13	Pannell Kerr Foster	31.2	22.4	11.1	166	1,220	7.3	1,386	36	188.0	22.5	30.4.86
14	Moores & Rowland§	27.6	19.0	n.a.	187	1,018	5.4	1,205	49	147.6	22.9	30.4.86
15	Clark Whitehill	23.5	12.4	n.a.	188	1,151	6.1	1,339	63	125.0	17.6	30.6.85
16	Stoy Hayward	21.2	32.5	8.0	83	789	9.5	872	8	255.4	24.3	31.12.85
17	Dearden Farrow	19.7	16.6	10.2est.	93	615	6.6	708	17	211.8	27.8	8.4.86
18	Neville Russell	18.8	19.0	n.a.	75	552	7.4	627	21	250.7	30.0	30.4.86
19	Moore Stephens	17.53	20.7	8.6	108	602	5.6	710	34	162.0	24.6	30.4.86
20	Robson Rhodes	17.5	25.0	n.a.	77	580	7.5	657	12	227.3	26.6	30.4.86
21	Hodgson Impey	16.5	10.0	n.a.	84	561	6.7	645	22	196.4	25.6	30.4.86
22	Kidsons	14.75	10.5	n.a.	63	486	7.7	549	23	233.3	26.8	30.4.86
23	Armitage & Norton	12.8	33.3	n.a.	58	433	7.5	491	16	220.7	26.1	30.4.86

* Net of recoverable expenses. † Including tax, insolvency, management consultancy. Audit fees include accounts and accounts related work. ‡ Excludes Channel Islands and Isle of Man. Previous years tables included those figures in some cases and 1984 fee figures may have been adjusted accordingly. § Includes exclusive associates. Fee income for Moores & Rowland without exclusive associates is £15.5m (increase of 15% on 1984).

Research assistant: Jan Schling

Minister holds out little hope for cut in North Sea taxes

BY MAX WILKINSON, RESOURCES EDITOR

AN EASIER tax regime for the North Sea oil and gas field would have very little effect on levels of production and development, Mr Alick Buchanan-Smith, the Oil Minister, said yesterday.

He was replying to an increasing chorus of oil companies which have been urging the Government to make major tax concessions to keep up the pace of activity in the North Sea.

Last month, Sir Peter Walters, chairman of British Petroleum, called for a radical revision of North Sea taxes, particularly Petroleum Revenue Tax (PRT), which bears most heavily on the largest operators, BP, Shell and Esso.

His call was followed by more detailed proposals from Mr David Biggins, chairman of Sovereign Oil and Gas, for an early repayment by the Government of Advanced Petroleum Revenue Tax, more generous provisions for offsetting new investment against PRT liabilities and other measures.

Yesterday, Mr Basil Butler, one of BP's managing directors, told a conference of the British Institute of Energy Economists: "Nobody can doubt that the tax structure and levels which we face today are geared to a world in which the price of oil was close to $30, in stark contrast to Monday's price of $11.25. Obviously therefore a prima facie case for change exists."

He also called for "fundamental reforms" and abolition of the "ring fence" which defines a boundary round an oilfield within which new investments may be set off against liabilities for PRT.

At the same conference, Mr Buchanan-Smith said the oil companies' demands were understandable and they were making a fair point for discussion.

But he indicated that the Government was likely to take a very tough line when it came to consider what detailed changes might be made to help the oil industry.

At a press conference afterwards he said there was no evidence that any recent North Sea development project would be profitable before tax but unprofitable after tax.

He said the crucial test for the Government would be whether any tax changes would be likely to increase activity. But there was a possibility that if the tax burden was lightened no additional projects would be brought forward.

Sellafield N-plant invites visitors

By Feona McEwan

MEMBERS of the public are being invited to visit the UK's most controversial nuclear plant.

British Nuclear Fuels (BNFL), the state-owned company that runs Sellafield, the nuclear processing plant in Cumbria, north-east England, has launched an advertising initiative to try to win public confidence in the industry.

At a cost of £2m, the campaign includes advertisements on television and in the press (where 8m peel-off "invitation" cards will invite consumer response). It is the largest public relations exercise yet undertaken by the British nuclear industry.

The "open-door" policy came after a year's research into consumer attitudes showed that the industry's perceived secrecy was losing it the public debate.

"Our advertising is saying the door is open – and seen to be open," said Mr Christopher Herding, BNFL chairman. "We have nothing to hide. We believe the more people know, the more they will recognise the benefits of nuclear electricity."

The campaign invites people to visit the Sellafield Exhibition Centre

Hurd plans discussion on future of radio

BY RAYMOND SNODDY

THE Government plans to draw up a prospectus designed to create a new structure for sound broadcasting in the UK to take radio well into the next century.

Mr Douglas Hurd, the Home Secretary, told the Association of Independent Radio Contractors (AIRC) yesterday, that the prospectus would also take account of technological developments such as satellite sound broadcasting channels.

A new legislative framework for radio is, however, considered unlikely this side of a general election.

Mr Hurd said that a planned green paper (discussion document) on radio would look "radically and wide-rangingly at the future of radio services as a whole."

The Government has been gradually forced to abandon its piecemeal approach to radio reform by a series of events only partly of its creation. They include:

- The severe financial problems of independent local radio,
- The fact that the Peacock report into the financing of broadcasting, to be published tomorrow, will advocate the selling off of BBC's Radio I and Radio 2,
- The last-minute Cabinet committee decision, against the advice of the Home Office, to shelve well developed plans to licence 23 community radio stations for a two-year experiment.

"There are various issues which now need attention, including those which you will soon seen the Peacock committee has raised," Mr Hurd told the AIRC annual congress.

Mr Hurd said the green paper discussion would look at the spectrum available for sound radio and how it might most effectively be used in the public interest. It would also look at Independent Broadcasting Authority proposals for a new independent national radio service.

"The case for a new service providing competition with the BBC at national level is strong. But developments from the Peacock report, the green paper and other directions could have fundamental implications for the nature, organisation and funding of a new Independent Local Radio service," Mr Hurd said.

Against such a background of uncertainty there was a strong case for not rushing into legislation.

The Home Secretary, in his first public statement on the Peacock report, said the Government did not wish to enter into any commitments without providing a proper opportunity for public debate.

The Peacock report was an "important, highly intelligent and challenging document". It should not be judged on the basis of leaks, Mr Hurd emphasised.

Postage rate to EEC countries cut by 4p

BY JASON CRISP

THE POST OFFICE confirmed yesterday that letter prices will rise by 1p in October. At the same time, it announced that the cost of sending a letter to any country in the EEC would fall 4p to 18p, the same as the new inland rate for mail sent first class.

The announcement marks the end of the temporary 1p reduction on second-class post (which is given lower priority). The reduction to 12p was introduced last November and extended twice until October. The price of first and second-class post last rose in September 1984.

Sir Ron Dearing, chairman of the Post Office, said: "Our ability further to extend the inland freeze and reduction until October reflects our wish to work with customers. But, like everyone, our costs have risen over the past two years and we propose a minimum increase on basic first-class letters, while for ordinary second-class letters we will be holding to the basic price level we had a year ago."

The cost of sending letters to the Irish Republic will also rise as they will be treated for the first time as overseas mail rather than inland. This is because Ireland's An Post started charging the British Post Office for the delivery of letters received from the UK, which it is entitled to as a member of the Universal Postal Union.

As the UK is a net exporter of letters to the Irish Republic, it has been costing the PO £4m a year. The change means it will cost 18p to send a letter of up to 20g to the Republic. The PO expects to increase its revenues by £6m to £7m as a result of the change. The difference will help to pay for the reduction in prices to the EEC.

The other significant price changes for overseas charges are sharp increases for printed paper rates and direct agent's bags. Printed paper rates go up typically by 5.4 per cent to 9 per cent.

The PO has been criticised for past increases in these rates, particularly because they hit publishers' exports. Other overseas charges are not affected.

Scottish industry lobby

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

SCOTLAND has a new lobby group to recruit support for its industrial problems. An economic "summit" organised by the Scottish TUC and Strathclyde Regional Council, and attended by all political parties and representatives of industry, voted to form a standing commission to monitor industry and propose policy changes.

A delegation from the conference is to seek a meeting with the Prime Minister to press for assistance to the Scottish steel, shipbuilding, engineering, energy and textile industries.

Mr Malcolm Rifkind, the Scottish Secretary, declined an invitation to attend the conference, though Conservative trade unionists and some Conservative councillors were present at the meeting in Glasgow.

Sir Kenneth Alexander, Vice-Chancellor of Stirling University, who chaired the meeting, said he hoped that Government would eventually take part in the discussions.

The meeting marked the latest attempt to draw up a consensus to defend key areas of the economy, chiefly in the manufacturing sector.

Consensus has been one of the most powerful political weapons fighting for Scottish industry in the past, when Conservative support was recruited for key issues like the future of the Ravenscraig steel works in Lanarkshire or the Scott Lithgow shipyards on the Lower Clyde.

UK NEWS

Top union post in Civil Service won by far left

BY DAVID BRINDLE, LABOUR CORRESPONDENT

A SUPPORTER of the far-left Militant Tendency has been elected general secretary of the Civil and Public Services Association (CPSA), the biggest Civil Service union, in succession to Mr Alistair Graham.

In a surprise result declared yesterday, Mr John Macreadie defeated Mr John Ellis, the union's deputy general secretary and clear favourite for the top job, by a majority of 121 votes out of more than 58,000 polled.

Mr Macreadie, a 39-year-old national officer of the CPSA, is due to take up the general secretaryship on July 14 and hold it for five years.

He is expected to have a seat on the general council of the Trades Union Congress and he will be the first general secretary of any union to be an open supporter of Militant.

In a second unexpected result yesterday, Ms Chris Kirk, a 36-year-old CPSA assistant secretary and until recently a member of the Communist Party, was elected treasurer of the union for a five-year term starting next January.

The rise to high office of Mr Macreadie and Ms Kirk presents the Conservative Government with a delicate problem. Hitherto, the two left-wingers have worked for union members in relatively low-profile departments such as Land Registry and the Ministry of Agriculture. Now, they will require access to all departments, including the Treasury and the Defence Ministry.

Mr Graham, who has been a fierce opponent of Militant within his union, said yesterday: "This is a very sad day for the union that Militant Tendency, when they are in decline in the rest of the labour movement, have sought control of the general secretaryship of one of the most important unions in the country."

A senior official of another Civil Service union said: "It's a disaster. There is potential for anarchy in the Civil Service unions."

Mr Macreadie polled 20,424 votes 35.1 per cent of those cast in the election, held on the basis of a secret workplace ballot, against 20,303 for Mr Ellis, who had the backing of the centre-right. Mr Geoff Lewtas, candidate of the "soft" left, came third with 14,740.

Ms Kirk polled 19,904 (34.2 per cent) against 19,188 for Mr John Raywood, centre-right treasurer for the past five years, and 19,180 for Mr Eddie Spence, the candidate backed by the Militant-dominated Broad Left CPSA faction. Turnout overall was 39.9 per cent of the 146,000-strong union.

The results are bound to reopen the argument over union ballots held at the workplace. The Government has been criticised for not stipulating in the Trade Union Act 1984 that such ballots should be both secret and fully postal.

Supporters of Mr Ellis were last night pressing for a rerun of the general secretary ballot, claiming that members in some left-led CPSA branches had not been given the opportunity to vote or had been pressured into voting for Mr Macreadie.

CBI urges clarity on merger referrals

THE CONFEDERATION of British Industry (CBI) yesterday told the Government that it wants to see less uncertainty about which mergers are referred for investigation by the Monopolies and Mergers Commission, **David Churchill writes.**

The CBI, in a preliminary memorandum to Mr Paul Channon, Trade and Industry Secretary, said that "intervention in the form of merger referrals should be more transparent and consistent so that the level of uncertainty is reduced."

It argued that this might mean more reliance on the "evolution of general principles and less on the widespread use of broad public interest criteria than has been the case in the UK in the past."

□ **THE GOVERNMENT** was bitterly attacked by Professor Peter Moore, the outgoing president of the Institute of Actuaries, for its alleged failure to adopt a sensible policy on pensions in the UK.

In his final report to the institute, Prof Moore said that never before had the actuarial profession been faced with so much legislation on pensions in so short a period. It had been virtually impossible for the profession to operate the proposals correctly for the best advantage of pension scheme clients.

□ **HOUSE PRICES** are rising faster than at any time in the past year and are likely to reach an annual rate of increase of 15 per cent by the end of 1986, according to a report from the Nationwide Building Society.

The survey says that in the last three months, house prices rose on average by 4 per cent.

□ **VIRGIN ATLANTIC** Airways, owned by Mr Richard Branson's Virgin Records Group, is cutting its cheapest single fare between Gatwick airport, London and Newark, New York, by £20 to £129.

The airline is adding another six flights a week each way on the route, to a total of 10 flights.

□ **NINE MORE** bus routes are to be put out to competitive tender by London Regional Transport (LRT), which has already opened up 8 per cent of its total bus mileage in this way.

So far, LRT has put 61 routes out to tender, of which London Buses, its own subsidiary, has won contracts for 25.

□ **UK HOLIDAY** charter airlines are to meet Mr Michael Spicer, Aviation Minister, next week to try to persuade him that the arrangements for air traffic at London's airports should remain unchanged.

□ **BRITAIN** will take unilateral action to apply the competition rules of the Treaty of Rome to aviation if agreement cannot be reached between EEC member states, Mr John Moore, the Transport Secretary, told the House of Commons.

TREASURY TO FOCUS ON EDUCATION AND HEALTH

Social spending may increase

BY PETER RIDDELL, POLITICAL EDITOR

THE TREASURY is prepared to agree to some increase in public spending on education and health – but only in limited amounts, within the existing overall total, and specifically focused on areas which will produce the maximum political impact ahead of the general election.

A willingness to increase spending more on certain social programmes has been signalled ahead of the usual summer discussion by the Cabinet of the economic outlook and expenditure prospects. This will be held on Thursday, July 17.

The Treasury is still pressing for confirmation by the Cabinet of the existing planning totals (notably £144bn for 1987-88) as occurred last July. But ministers are aware of the strong opinion in the Cabinet and among Tory backbenchers in favour of some increase in expenditure on social programmes and are prepared to be flexible.

In particular, Treasury ministers were impressed by the favourable public reaction to the announcement last month by Mr Kenneth Baker, the Education Secretary, of £20m extra for the General Certificate of Secondary Education 16 plus exam.

Mr Nigel Lawson, the Chancellor, apparently remarked: "that's what Kenneth was sent there to do, to make a lot out of a little." The Treasury especially feels this since the net extra cost to it was only just over £10m.

Consequently, on what has been described as the "big bang for the buck" principle, Treasury ministers may approve specific proposals which have a big political bonus for a relatively small amount of money, such as cuts in hospital waiting lists, easing the pressure on London teaching hospitals and more for school equipment and universities. Any money will come out of the contingency reserve of £6.3bn for 1987-88.

There is also a clear shift in presentation by ministers towards taking credit for increases in spending on social programmes where they have occurred.

Some members of the Cabinet not normally identified with the Treasury believe that this new emphasis will allow a balanced approach, permitting both some increase in spending on programmes and tax cuts next spring. They therefore feel more relaxed about the Cabinet discussion than they did a few weeks ago.

However, affected spending ministers are sceptical about the Treasury approach, since they argue that any concessions will be insufficient unless the overall total is increased.

Flotation speculation dampened by 3i

BY NICK BUNKER

INVESTORS in Industry (3i), the venture capital group, moved to dampen speculation about an imminent stock market flotation yesterday as it reported an 18 per cent leap in its pre-tax profits.

Lord Caldecote, chairman of the group owned by several clearing banks and the Bank of England, said that before tax 3i earned £46.2m in the 12 months ended March 31, up from £39.3m the previous year. Post-tax profits rose by nearly £6m to £29.7m.

Lord Caldecote said that no decision had yet been made on the question of a change of ownership of the 40-year old group, which provides long-term finance for fledgling companies. But, he added, shareholders had made public their intention to keep effective control of 3i within the existing shareholding group for the foreseeable future.

His statement came after more than a year of rumours about the possible flotation of 3i as a stock exchange-listed investment trust.

The group's improved performance came in spite of intensified competition from other sources of venture capital, which now number more than 100, Lord Caldecote said. 3i had also been hit by 205 failures of businesses it supported, 30 more than in 1984-85.

There were fresh signs, however, of a grass-roots renaissance in enterprise among British managers, 3i said, with especially strong growth of new businesses in the north-east of England, where the group raised its new investments last year to more than £34m.

During the year, 3i invested a total of £318.3m in emerging UK and US companies, down from its record £345m in 1984-85.

Makers to be liable for product injuries

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT has decided to adopt most of the main measures contained in the European Community directive on proposals to make manufacturers liable for injuries caused by defective products.

The move was announced yesterday by Mr Michael Howard, Minister for Corporate and Consumer Affairs. "We have decided that the implementation will be by primary legislation, in the same Bill as the introduction of the general safety duty and other outstanding amendments to our body of consumer legislation," he said.

The legislation would be introduced "as soon as parliamentary time permits," he added EEC member states have until 1988 to implement the directive.

The new product liability laws, however, would not come into force until six months after the legislation was enacted.

The main thrust of the legislation will be to establish a system under which manufacturers and importers will be strictly liable for any injury caused by defective products without injured parties having to provide proof of negligence.

Under present law, the immediate supplier – usually the retailer rather than the manufacturer – is liable for damage caused to the purchaser only. If any other person is injured, compensation can be claimed only if it can be proved that somebody in the supply chain had been negligent.

Younger's defence budget cuts delay more difficult decisions

BY DAVID BUCHAN

THE DEFENCE equipment cuts announced this week by Mr George Younger, the Defence Secretary, will save relatively little cash, and indicate that the difficult decisions needed to prune some £280m from the 1986-87 defence estimates are still to come.

Opening the House of Commons debate on the 1986-87 defence estimates on Monday, Mr Younger said defence spending was planned to decline – after a 20 per cent increase since 1979 – by 1.5 per cent in each of the next three years. This implied cuts of £280m in the 1986-87 budget of £18.5bn.

Announcing the first of a series of "difficult decisions" on where to make the cuts, Mr Younger announced the cancellation of an army mine system, a decision not to fit some frigates with more modern sonar, and delayed and possibly reduced delivery of certain aircraft to the air force.

Mr Younger seemed more concerned to indicate that cuts would affect each of the three services and therefore perhaps to build parliamentary support for his ministerial budget – in advance of spending negotiations likely to start in Cabinet later this month – than to show where the full impact of cuts might fall.

If nearly £300m is to be pruned from the defence budget, then the axe may have to fall on some of the really expensive equipment items, such as one of the three Type 23 frigates (costing around £120m each), planned to be ordered this year, or the latest Harrier version which the Royal Air Force is to get at about £20m apiece, or Challenger tanks at more than £1m each.

The cuts announced by Mr Younger on Monday were:

- Cancellation of the LAW (Light Armour Weapon) mine project, which had not got off the drawing board. This light armour weapon, designed to identify tanks and fire at them automatically, would have used technology developed for the LAW-80 anti-tank weapon by Hunting Engineering. Hunting would have been well placed to win the contract to develop the new weapon, as would British Aerospace to make the electronics for it. But no money had been allocated for it anyway.
- Abandonment of plans to retrofit the eight Type 22 frigates in service with a new towed array sonar, at present under development by the Admiralty Research Establishment at Portland. However, the navy says the Type 22's existing sonar is adequate, and the decision will not stop development of the improved sonar system.
- The purchase by Saudi Arabia of 72 Tornado fighters will mean that the RAF will be two years late – 1990 instead of 1988 – in getting the GR1 reconnaissance version of the aircraft. But the RAF is relaxed about this delay, saying that it has Jaguars and the new version of the Harrier, the GR5, to fill the temporary gap.

Mr Younger said the size of the second batch of Harrier GR5s for the RAF was being reviewed, and would be decided by the end of the year.

UK NEWS

Komatsu could build up European product range

BY NICK GARNETT

KOMATSU, the Japanese construction equipment maker which is due to begin assembling excavators and wheel loaders near Newcastle, north-east England, early next year, says that it could build *other products at the plant* if there was sufficient demand in Europe.

Mr Torio Komiya, managing director of Komatsu UK, said this would depend entirely on the performance of the British plant and customers' requirements. He was speaking at the Birtley factory formerly owned by Komatsu's American rival Caterpillar.

Komatsu intends to assemble 2,400 excavators and wheel loaders a year by 1988. This would give the plant a yearly sales turnover of £100m with a workforce of only 270 and could increase its market share in the overloaded UK and European markets.

Other models that Komatsu could introduce at the plant after 1988 include smaller weight excavators and wheel loaders than the mid-weight range equipment which the company will initially build at Birtley. Dump trucks, which suffer from a flagging market, would also *slot into the kind of methods* employed to make excavators.

Komatsu, like other Japanese companies, does not make a backhoe loader, Europe's ubiquitous con*struction site vehicle. Mr Komiya* said he had no plans to make one at Birtley, particularly as it was a saturated market with low profit margins. "But I cannot guarantee what will happen in the future," he said.

The company, the world's number two construction equipment maker after Caterpillar, has been slow to set up production sites outside Japan. It purchased the Birtley site after the European Commission found it guilty – together with four other Japanese manufacturers – of dumping excavators in the EEC. Dumping duties of 26.6 per cent which were imposed upon it hit its sales in Europe.

*Komatsu's initial production tar*gets are based on two shift working and would leave spare manufacturing space in the main 52,000 square metre building – similar in size to the Nissan car assembly plant at nearby Washington New Town. Komatsu also has use of another 20,000 sq metres of covered area on the 57-acre site.

The £12.5m production project has been vociferously opposed by the Federation of Manufacturers of Construction Equipment and Cranes, largely over the amount of cash assistance Komatsu is receiving.

Of the project's total cost, £1.15m is coming from regional development funds, £1.2m from other forms of selective financial assistance and *£300,000 from the now de*funct Tyne and Wear metropolitan county council.

The federation told the Department of Trade and Industry that it *made no sense to give cash aid to* an outside competitor to increase production in a sector already suffering from manufacturing overcapacity.

European construction makers are sceptical that Komatsu will meet its agreements to raise local content from an initial 60 per cent to 80 per cent within five years.

Sales based on initial production targets would result in significant increases in Komatsu's market shares. The company will initially build seven excavator models from 12 to 30 tonnes and five wheel loader models from five to 20 tonnes (up to 250hp).

It expects to sell about 20 per cent of Birtley's output in the UK, the rest elsewhere in Europe. Because both types of equipment sell in static markets, this must be at the expense of other manufacturers.

The UK market is about 2,000 units for excavators and 1,400 units for wheel loaders. The industry believes Komatsu would raise its UK market share from 8 per cent to 13 per cent for excavators and from 4 per cent to 20 per cent for wheel loaders.

JCB, which has strongly opposed the cash assistance to Komatsu, claims the largest share of the UK excavator market with about 17 per cent followed closely by Poclain of France, Caterpillar and another Japanese manufacturer, Hitachi. *UK-based Hymac, now part of Nor*thern Engineering Industries, has about 8 per cent of the market.

The European market for excavators is about 7,700 units and for wheel loaders 7,400. Mr Keiichi Fujisawa, director and general manager of Komatsu Europe, said West Germany was an important market for Komatsu but it faced some tough indigenous competitors like Orenstein & Koppel and Liebherr.

Austin Rover control ruled out by Honda

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE RELATIONSHIP between Austin Rover of the UK and Honda could be strengthened further only by the Japanese group taking full control of the BL subsidiary "and frankly we do not have the resources for that," says Mr Tadashi Kume, the Honda president.

In an interview with the Economist Intelligence Unit's Japanese Motor Business, Mr Kume says that, although there have been unresolvable disputes between Honda and Austin Rover during the seven years in which they have been co-operating on various ventures, "the work we have done together has been truly satisfying." It would be used "as the stepping stone to further combined efforts."

Problems with the new V6 engine for the joint-venture car sold as the Honda Legend and to be launched next week as the Rover 800 caused a late redesign of the block and revisions to the engine compartment. Honda, he says, had agreed to cover Austin Rover's costs.

Mr Kume says there are still no plans to use the 360-acre site acquired by Honda at Swindon in Wiltshire as anything other than a pre-delivery inspection centre and parts assembly operation for Honda cars to be built on its behalf by Austin Rover.

Honda is not seeking any more joint ventures in Western Europe – apart from those with Austin Rover – and is not considering setting up an assembly plant.

Japanese Motor Business, from the EIU, 40 Duke Street, London W1A 1DW.

Dunlop joins Japanese to develop car wheels

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

DUNLOP Automotive Division, the last British volume supplier of steel car wheels, plans to make technology and productivity advances under a contract just signed with Topy Industries, of Japan, the world's largest manufacturer of steel road wheels.

The Coventry-based Dunlop company, a subsidiary of BTR, has negotiated a "technical consultancy" which it claims will "give access to the most advanced Japanese wheel and associated tool manufacturing technology."

Dr David Speirs, managing director, said Japanese technology using very high strength steel was different from that in Europe. The deal would offer advantages in the market place through higher technology products and the transfer of high productivity Japanese processes to the Coventry factory.

Dunlop has competed with other European wheel makers to obtain a contract which it sees as important, given the increasing Japanese influence on the Western car market.

The deal must strengthen Dunlop's chances of securing the contract to supply steel car wheels to the new Nissan car factory at Tyne and Wear, in the north-east of England. Dunlop has already won a development contract for the wheels.

A final decision is expected within weeks on Dunlop's planned £5m investment in flexible manufacturing at the Coventry factory.

THE ARTS

Television/Christopher Dunkley

This experience is salutary but saddening

A small child watching Randolph Churchill speak in public is supposed to have inquired "Mummy, what is that man *for*?" A similar question springs to mind after watching the so-called "flagship current affairs series," *Panorama*, *TV Eye* and *World In Action* (*WIA*). What are they for?

Panorama was started in 1953, *This Week* (which has masqueraded for a while under the inferior name of *TV Eye* but is soon to revert to its proper title) in 1956, and *WIA* in 1963. At that time, when television was scarcely beyond its infancy, news programmes were brief, news teams were small, and television had very few regular specialist current affairs slots.

Today British television opens at dawn every day with news programmes, of sorts, on two channels lasting for about three hours; 13 or 14 hours later BBC 2 screens the exemplary *Newsnight* (though, infuriatingly, you can never be quite sure of the time: 10.45 tonight, 10.35 tomorrow, 10.20 on Friday —it is lucky to keep an audience at all). And in between you can watch half an hour of news on *News At One* or *News After Noon*; more in *News at 5.45* on ITV and in *Six O'Clock News* on BBC 1; another 50 minutes of reports in *Channel 4 News* specialising more in scene-setting and background information; and a further half hour in BBC 1's *Nine O'Clock News* with the same on *ITV* in *News At 10*.

Those are merely the daily programmes. Once a week you can find current affairs of particular interest to trades unionists covered in *Union World*, the ethics of current affairs in *Credo* and *Heart Of The Matter*, science in *Horizon* or *QED*, technology in *Tomorrow's World*, and politics in *The World This Weekend*, *This Week, Next Week* and *A Week In Politics*.

Other series happily cover the waterfront: *Diverse Reports*, the most interesting innovation in current affairs for many years, allows people to make opinionated programmes on all sorts of subjects. *The World About Us* specialises in "softer" items of current affairs, especially in films made by foreign companies, and *Brass Tacks*, a hugely improved series, now has a fortnightly turn-round with a film about some controversial matter in its first week and a studio discussion on the same subject in the following week.

In the past fortnight it has been "animal rights" and although two glaringly obvious questions to the activists were omitted — "If, as you keep saying, animals have a right not to be killed how will you get this across to the predatory animals which are responsible for most animal deaths?" and "When you talk of these pigs' right to life do you realise they would never have been born at all but for the human carnivore?" — they made a fascinating pair of programmes nonetheless.

More pertinent still, so far as the "flagship" series are concerned, is the growing incidence of "news specials." These lengthy items, prepared days in advance of some major news event — the end of the Brighton Bomb trial was the most recent — sometimes run to 15 or even 20 minutes. With specially shot film, lavish use of graphics, and even dramatised reconstruction, they appear to fulfil precisely what you might have thought was one of the original functions of the flagship current affairs series. So once again the question presents itself: in 1986 what are these series for?

To try to find an answer I sat down and watched the 10 most recent episodes of each of the three series, 30 programmes in all. It was a salutary but saddening experience. What they are about overwhelmingly is bad news: I know *much more* now than I did before about Chernobyl, about the risks of British nuclear reactors, and about radiation generally because, unsurprisingly, all three series have recently covered the topic.

I also know more about terrorism. *WIA* looked at the Libyan crisis and suggested that the Americans chose to hit Gadaffi not because he is the worst but because hitting Khomeini or Sadat would be geographically more difficult and, in terms of global politics, much more dangerous. *WIA* also presented a chilling programme about the heir apparent to Ian Paisley, a man named Peter Robinson who makes the roaring clergyman look like an old softie. The men in balaclavas turned up in that programme too. *TV Eye* contributed "The Thin Green Line" about the way in which RUC men now find themselves under fire-bomb attack not only from the IRA but from Protestant extremists who identify the police with Westminster's moves towards conciliation.

TV Eye covered the British campaign to persuade the US to revise its extradition laws for the sake of bringing certain suspected Irish activists back across the Atlantic, and *Panorama*, too, featured Irish terrorism in Peter Taylor's eye-opening report on the Stalker case. Furthermore *Panorama*

Football fans return to the scene of the Brussels tragedy

put together one of those impressive globe-girdling reports which require substantial budgets and facilities, "Terrorism: The Elusive Enemy." John Penycate reported from the Palestinian refugee side, Tom Mangold from Israel and Michael Cockerell from the US.

Then, this week Mangold presented his worrying programme about the ease with which terrorists can still get past airport "security" systems. Mangold himself walked straight through passport control at Corfu without a challenge having earlier shown the simplicity of getting *a plastic bomb in a suitcase* past the current detection devices.

And so the catalogue of death, destruction and man's inhumanity to man rolls on and on. *WIA* showed the ghastly conditions in some homes for old people, and in another programme the even worse conditions in some hospitals: "Little more than warehouses for the long-term storage of human beings." *TV Eye* tracked down some of the British youths facing extradition to Belgium to stand trial for their activities at *the Heysel stadium*. *Panorama* explained in detail why Challenger fell out of the sky and how people had been warning that it would.

Of course watching 30 current affairs programmes in three days provides an artificial and unrepresentative experience. Normally *Panorama* turns up only once a week, and episodes are separated by dozen of other programmes ranging from comedies to darts matches. On the other hand the concentrated experience brings out some facts which might otherwise be lost precisely because of all the intervening material.

These days, for instance, *these three series are in many* ways very much alike. True, *Panorama* uses rather more reporters in shot than *WIA*, *WIA* still has a distinctly liberal-humanist slant, and *TV Eye* has a touch of that foot-in-the-door spirit of the pre-war Sunday newspapers. But a Martian "meeja" student would find them virtually identical: *Panorama is some 12* minutes longer than the others, but the combination of interviews, "wallpaper" with voice-over, and graphics is now a shared format. They are all smooth and proficient, but there is less difference between these series than between the Daily Telegraph and The Times, never mind the Daily Telegraph and the *Daily Mirror*.

Above all my 30-programme blitz showed vividly that for the television producer "current affairs" stop at the very point where some of the most important aspects of my life begin. For *TV Eye*, *Panorama* and *WIA* it seems that the entire world of creativity and the imagination does not exist: literature and music, cinema and opera, painting, sculpture, poetry, dancing—these are not *current affairs*.

Perhaps I shall be told that such matters are dealt with elsewhere: in *The South Bank Show*, *Arena* and *Omnibus*. That is true, of course, but the same applies to virtually all topics: *WIA's* Clive Ponting programme would have fitted comfortably into a politics series; *TV Eye's* "Takeover!" looked like *The Money Programme*; and *Panorama's* programme on American "workfare" could have been slotted into *Newsnight* or even the *Nine O'Clock News* — 10 minutes would have suited it better than 40.

It is hard to avoid the conclusion that the "agenda setters" David Dickinson, Ray Fitzwalter and Michael Townson (editors respectively of *Panorama*, *WIA* and *TV Eye*) simply do not regard the world of the arts as being in any way *a significant part of current* affairs. Yet to many of us I suspect that the arts are just as "real" as terrorism or planning laws, and considerably more important.

Making Noise Quietly/Bush

Michael Coveney

The title of Robert Holman's trilogy of short plays at the Bush Theatre refers to the gently piercing scream of an autistic kleptomaniac eight-year-old boy (played with precocious brilliance by Daniel Kipling) strung like a taut wire between a step-father who beats him and a middle-aged lady painter who saves him. Paul Copley and Helen Ryan give superb supporting performances to Master Kipling.

The play itself is peculiar and anguished. I cannot avoid the impression that Mr Holman either writes about himself all the time or sublimates his yearnings in precious literary analogy. This is not meant as a carp. It adds to, indeed constitutes, his fascination. All three pieces here show rather tortured progressions to establishing relationships.

And all three are presented, in John Dove's very well cast production, on a set of ingenious brilliance by Kenny Miller, a Philip Prowse protégé in Glasgow: a photographic vista of lush greenery surrounding a grass-inlaid boarded floor which serves as a Kentish field, a Cleveland backdrop to an interior conjured by an inset grandfather clock, and a wood in the Black Forest.

Being Friends, in which an artistic homosexual confronts a vulnerable pacifist farmhand, reeks of literary example, as evinced by the characters' respective names of Eric Faber and Oliver Bell. Suspicions were confirmed by my erudite friend from the South Bank Show who murmured "Denton Welch" to me en route to the interval drink. Welch, like Faber, went to Repton, did illustrations for Vogue and befriended young men in doodle-bugged meadows. His chum was called Eric Oliver, though, not Oliver Bell.

Holman is obsessed with the 1930s and 1940s, Orwell and various *literati* of the Spanish Civil War (as in *Today* at the RSC's Pit). *He wants* to make connections between simple experience and vouched-for precedent. *Being Friends* is fine, superbly acted by Jonathan Cullen and (as Faber) Ronan Vibert, a new Alan Rickman I declare. It has a gilded innocence as two young men, about to strip off and bathe together, are struck still by distant church bells. And in Faber's knottily apologetic excuses for existence — "I've very many friends who know nothing about me because I've known them for too long"; "I believe in the reality of unconsummated experience" — we hear the strikingly authentic note of hesitancy in this playwright.

The title play is set in 1986, the middle one in the year of the Falklands War. *Lost* finds a birthday party scuppered by casualty news. A naval officer (Jonathan Coy) brings sad tidings to a mother (Jean Boht) who disliked her son anyway. In the passage where she expresses resentment at the dead boy by turning her maternal disappointment on his colleague (also, it transpires, his brother-in-law), Holman writes his best dialogue of the evening. Ian was married and became snobbish. What a falling off was there.

T. S. Eliot/Lyric Studio

Martin Hoyle

Not merely geographically, Hammersmith has recently outflanked the West End. First the cognoscenti flocked to Max Wall in Beckett at Riverside; and on Monday the first night for this generous and meaty poetry-reading attracted to the Lyric Studio an audience more prestigious than that gracing your usual Shaftesbury Avenue première.

The old problem of how or whether to dramatise poetry was mercifully sidestepped. Three distinguished actors sat before a ravishing 12-panel Chinese lacquer screen and rose from their chairs only for a concerted version of *The Hollow Men*. The readings were linked by a cross-looking television presenter—Melvyn Bragg, to be followed in later performances by Joan Bakewell—delivering Peter Ackroyd's notes on the poet's life and work. Media passion for anniversaries explains the somewhat unnecessary implication that *Let Us Go Then, You and I*, the anthology's title, marks the 21st anniversary of Eliot's death.

In a programme that included *The Wasteland* and *Four Quartets*, Mr Ackroyd's no-nonsense Radio 4 documentary style narrative was a little too much of a good thing. The chatty intimacy that makes Mr Bragg (here puffed by heat and success into a startling resemblance to Brendan Behan) a consummate TV performer leaves him curiously unprojected and flat when deprived of a microphone.

This failing contrasted with the clarity of the three cogent reciters. Michael Gough's well-loved blend of the wolfish and the prissy makes much of Prufrock. Edward Fox reveals unexpected versatility as the cockney publican in *The Waste-land*; and his sometimes mannered style suits the arch Bostonian gravity of *Portrait of a Lady*.

He is partnered by Eileen Atkins, glowing with tactful intelligence and unshowy wit. Sometimes dangerously (in this context) actorish — eloquent hand movements in *East Coker* betrayed an itch to perform, not merely read—she fixed us with a sinister glare for "April is the cruellest month," intoned with a menace more suitable to lines like *Malfi's* "Strangling is a very quiet death" (the NT's Bosola was in the audience). At her best, as when declaring, in *Portrait*, "I wonder frequently of late . . . Why we have not developed into friends," with a fleeting leer of ferocious gentility, Miss Atkins reveals the great actor's schizophrenic secret: the gift to immerse oneself in a character while commenting on it.

Two and a half hours in a small space in a heat-wave might be over-abundant for a poetry-reading. The extraordinary silence of an engrossed, if sweltering, house was a tribute to both the poetry and its devotees.

Brendel & Friends/Festival Hall

Andrew Clements

Alfred Brendel's London appearances in chamber music are sufficiently rare to make them special events. Monday's Festival Hall concert felt quite special — the coming together of a master pianist with a quartet of wind players of outstanding distinction, each a soloist in his own right: Heinz Holliger, Eduard Brunner, Klaus Thunemann, Hermann Baumann.

The programme was predictable: the Quartet for piano and wind, K.452 by Mozart, and its Beethovenian sibling, Op. 16. Had the winds been drawn from a single orchestral section I'm sure the blend of tone would have been far more homogeneous and phrasing more consistent. As it was there was no attempt to impose a fictitious unity upon players whose natural inclinations were consistently musical. The vibrato in Thunemann's bassoon and Baumann's horn still surprises ears more used to the clearer, less characterful sound of British instrumentalists, but each phrased with a naturalness that made the quintets genuine colloquies between five distinct individuals instead of a piano juxtaposed with a block of anonymous wind.

Both accounts favoured robustness over *gentility*; consequently the Beethoven, essentially a coarser-grained, less finished work, emerged the more effectively. Brendel's consistent extroversion with his colleagues was in sharp contrast to his reflective, almost distracted account of the six Schubert *Moments musicaux* between the quintet; a reverie that suited the first and last pieces rather better than the sharper contours of the two F minor movements. Despite its restraint his playing also seemed unsettled at the start; only in the final A flat Allegretto was hesitant, nervy rubato replaced by something genuinely expressive.

Steve Reich/Almeida Festival

Paul Driver

Most of the Almeida Festival events last weekend took place in the Union Chapel in Islington, and were devoted to the music of Steve Reich. English rather than American minimalism got a hearing, though, in the form of Michael Nyman's gutsily raucous *Zoo Caprices*—an adaptation of film-music for Peter Greenaway — which were included in Alexander Balanescu's solo violin recital slipped in at the Almeida Theatre between Sunday afternoon's two large Reich programmes.

The latter began, to my irritation, with the same piece: Reich's *Clapping Music* of 1972 —an elementary demonstration of his methods wherein one clapper keeps to a fixed pattern while the other slightly alters it. Both performances were given by the composer and Gregory Rose; but the piece is not one to bear repetition.

During the weekend some 20 Reich pieces and a couple of films were presented. One quickly recognised his tough-minded, contrapuntal approach to composition — which ensures that practically every piece, however reduced of means or purely conceptual, "comes off," with a certain bite — and as quickly grew bored with it. His "interesting experiments" in the end are not interesting enough: he never seeks, like the early, equally experimentalist, concretely inventive Stockhausen, to develop his ideas into grandiose statements, or even into statements.

Not for Reich the vibrations of the universe which Stockhausen expected to hear when he amplified a tam-tam in *Mikrophonie I*; in Reich's *Pendulum Music*, where four microphones are set swinging above four loudspeakers and produce a surprising flux of amplified feedback, we are meant merely to take a cute delight. *Reed Phase* (live saxophonist John Harle with two others on tape) and *Violin Phase* (four live fiddlers led by Alexander Balanescu) likewise are games — games whose exploratory linguistic function (Reich has in the latest issue of *Tempo* been lengthily paralleled with his erstwhile philosophy teacher, Ludwig Wittgenstein) rarely sustain enough musical interest.

The only piece during the weekend which musically existed for me throughout its whole length was *Vermont Counterpoint* (1982), usually done by a solo flautist with a *tape of 10 other flute parts*, but on Sunday done by Nancy Ruffer and 10 of her live friends to magical, sylvan effect. The two pieces for tape alone which we heard—*Come Out* (1966) and *It's Gonna Rain* (1965)—were, on the other hand, the weekend's nadir of dullness, the first even provoking a small noisy walk-out and shouts of abuse at the "pretentious bourgeois audience." An, as it were, "live" tape piece, created before our ears out of tape loops on which Almeida staff had declared their names, was more entertaining — this was *My Name Is . . .* (1986).

More ambitious works were undertaken by James Wood's New London Percussion Ensemble and Gregory Rose's instrumental-vocal combo Circle/Singcircle. *Music for a Large Ensemble* (1978) sounded glutinous and amorphous for all its local animation — like some marine coelenterate palpitating on shore. I was oddly reminded—as often when listening to minimal music—of sounds in Sibelius: a repeating cello figure seemed to recall the riff-finale of the Fifth Symphony, and grandly swelling harmonies for four off-stage trumpets could have come from the Seventh. Minimalists reduce the dynamic innovations of a Sibelius to cosmetics.

Tehillim (1981) — a lively archaic setting of the Psalms for vocal quartet and players who accompany and pace them (with hand-claps, castanets, drums)—brought the world of Carl Orff somewhat to mind: in all his music—particularly the infernal *Drumming* (1970-1) parts 1 and 2 which ended the weekend—Reich is perilously *close to such a kind of chic* inanity.

Prey/St. John's, Smith Square

David Murray

Here you are sitting quite harmlessly in this Bierstube; pleasant day, desultory conversation in the background. Chap appears — well-dressed but slightly insistent tie—and pulls chair up by yours. Within seconds he's begun to explain his whole romantic tragedy, man-to-man, quite eloquently and in a dangerously calm tone. It is gripping, not least because you realise as the minutes go by that at any moment *he* is going to become horribly maudlin, or possibly violent, or just be sick. You listen politely, keeping an eye on the nearest door out.

That was how Hermann Prey delivered Schumann's *Dichterliebe* cycle on Monday. From Leonard Hokanson's first notes at the piano it was clear that it was planned as deliberate, searching, withers-wringing Dichterliebe: only the grief was in the present tense, with the happy or wistful vignettes *distanced* by stretched-out tempi and Prey's dark, often bitter tone of maturity. Songs that passed in slow motion were kept taut by his terrific rhythmic grasp (Hokanson matched him bravely, having no choice) as well as his dramatic sense. There were a very few bold single effects: when a dream evaporated like foam, "Ei . . . telschaum" floated on a long breath till it disappeared, and the last line of the last song turned the preceding defiance around into simple, abject misery.

Not a *Dichterliebe* for every day, *certainly, and a frankly* one-sided one; but powerful in its grim way, and a bold experiment for a singer who must have been singing the cycle these many years with his familiar knowing charm. It is salutary to be reminded that neither Schumann nor the poet Heine — *especially* not he — would have wanted their work to seem chiefly delightful, graceful, freshly touching. Prey left no doubt that somebody had actually bled and felt real pain.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 27-July 3

Theatre

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

Orphans (Apollo): Last chance to catch explosive collision of acting styles between Albert Finney and two of *Chicago's Steppenwolf artists in implausible, guilty drama*. (437 2663). Until end of June.

Anthony and Cleopatra, The Taming of the Shrew (Haymarket): Vanessa Redgrave as Cleopatra and Katherina leads brave West End presentation and astonishes still with her elemental talent, especially as Cleo. (930 9832 (CC) 240 7200).

Interpreters (Queen's): Love among *the diplomats, according to* Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll *hits to explain how Martin Shaw's* magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy *music is visually startling* and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

La Cage aux Folles (Palace): *With* some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

***Big River** (O'Neill): Roger Miller's music* rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Loot (Music Box): John Tillinger directs this high-spirited revival of Joe Orton's 1966 macabre farce featuring Zoe Wanamaker as the homicidal nurse who romances a widower while burying his wife and conniving with their thieving son to hide the body. (239 6200)

WASHINGTON

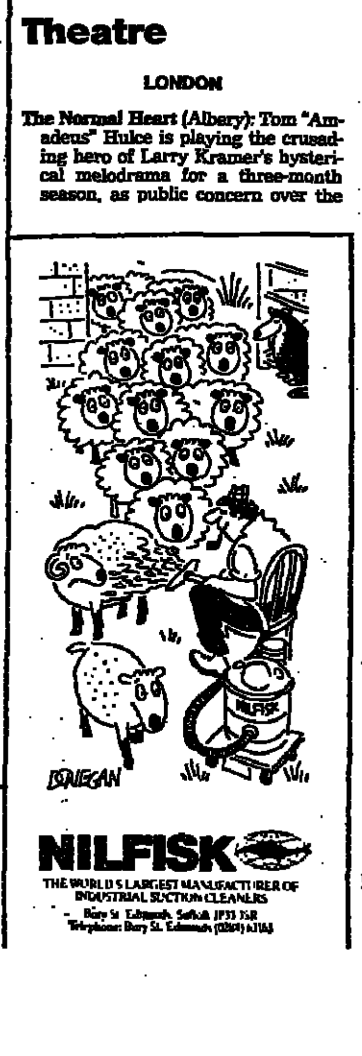
The Caine Mutiny Court Martial (Eisenhower): Charlton Heston and Ben Cross star in the military courtroom drama written by Herman Wouk. Ends July 6. Kennedy Center (254 3670).

CHICAGO

Pump Boys and Dinettes (Apollo Center): *Facetious look at country music* and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

True West: The Japanese version of Sam Shephard's play directed by Nobuhiro Nishikawa as part of a short Sam Shephard season. Parco Space Part 3, Shibuya. (477 5880, 58 58/9).



Saleroom/Antony Thorncroft

Unrepeatable rarities

For his twenty-first birthday *Tom Burn was given* Rous Lench, a beautiful half-timbered Jacobean house in the Vale of Evesham, by his parents. For the next fifty years he proceeded to decorate it with one of the finest collections of English 17th and 18th century ceramics in private hands. Burn died last year, and Sotheby's is disposing of the contents of Rous Lench.

Not surprisingly, prices were well above forecast; dealers competed furiously for rare, unrepeatable items. The top price—and a record for any item of English ceramics — was the £112,200 paid by the London dealer Alistair Sampson for a saltglaze pew group of around 1745.

These groups, said to have been modelled by Aaron Wood, are of the greatest rarity—only three have appeared at auction since the second world war. This one depicts two horn players seated on a settle and seems to be unique. The top estimate was £35,000.

Another dealer, Jonathan Horne, acquired for £85,800 a delft portrait charger of about 1666, depicting Charles II. This was a record for English delft (top estimate £25,000). Horne was a prolific buyer, paying £55,000 for a Staffordshire slipware jug of about 1704; £52,800 for a saltglaze crinoline figure of a lady of about 1740, which was used as a bell (top estimate £9,000); £44,000 for a Lambeth delft pill slab of about 1664 and £40,700 for a rare Lambeth delft goblet of about 1656.

Sampson bought the second oldest known Lambeth delft figure, of Apollo, for £59,400. It is dated to 1679. Delft figures are exceedingly rare. A slipware dish by Thomas Toft, of about 1680, went to Winifred Williams for £50,600.

The celebrated Chelsea figure of Hogarth's pet pug dog "Trump" was bought during the afternoon session by Horne for £85,800, double the previous record price for a piece of English porcelain. Only three figures of Trump are known, and this is the sole polychrome example. It carried a top estimate of £30,000. The morning session had totalled £1,340,174 with nearly everything selling: a total way above the target for the whole day.

FINANCIAL TIMES

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Wednesday July 2 1986

South African timetable

MRS MARGARET THATCHER yesterday gave the House of Commons the best explanation so far of current British—and, since The Hague summit meeting last week—European policy towards South Africa. Her statement and subsequent answers to questions will need to be borne in mind during the diplomacy of the next month or so. For the Prime Minister set out a fairly clear timetable of intended action, as well as the criteria for success or failure.

Sir Geoffrey Howe, the British Foreign Secretary, will go to South Africa with the backing of the rest of the European Community later this month. His mission will be to continue that of the Commonwealth Eminent Persons Group by other means. The EPG reported failure three weeks ago. Mrs Thatcher believes it was coming tantalisingly close to success.

Sir Geoffrey will have an almost identical task: to secure the unconditional release of Mr Nelson Mandela, the leader of the African National Congress, and other political prisoners, and the lifting of the ban on the ANC and other political parties. It is hoped this, in turn, will lead without delay to the opening of negotiations between the South African Government and leaders of the black people in South Africa.

Economic measures

The Foreign Secretary will report to a meeting of Commonwealth leaders that has long been planned to take place in London at the beginning of August. How that meeting goes will depend critically on what Sir Geoffrey has achieved or failed to achieve in South Africa. If he has secured Mr Mandela's unconditional release and the legalisation of the ANC, well and good. If he is nearly there, it might just be possible to string out the negotiations a little longer: another mission to South Africa in August perhaps. But if he is manifestly getting nowhere, that must be it.

Britain is already pledged to the Commonwealth by the Nassau Agreement last year to consider further economic measures should the South African Government refuse to budge. Another commitment to consider sanctions was made in the statement after The Hague meeting last week. It was also stated that the European Community would enter into consultations with other industrialised countries on possible sanctions within three months: that means from last Friday.

That is Mrs Thatcher's timetable, and she must stick to it. If the South African authorities comply, it will be an enormous diplomatic triumph which no-one should begrudge her. If they do not, she is committed by her own words to join in the economic measures she has so anxiously sought to avoid.

It is very important that the firmness of the timetable should be recognised, not least in South Africa itself. The South Africans have a habit in international negotiations of playing for time and of hinting at giving more than they actually deliver. They have done this repeatedly in the negotiations over the future of Namibia and they have done it over domestic reform in the past 12 months. If Mrs Thatcher has a fault on this issue, it is of giving the South Africans the benefit of the doubt where others would not.

Diplomatic threat

Sanctions are being discussed as a calculated diplomatic threat. It is imperative that the threat should be seen to be credible. Any deviation by Mrs Thatcher because the South Africans have made half-way concessions or are offering a little more in the future will make the threat less serious. The message is: either agree to the release of the political prisoners and lift the ban on the political parties in the next few weeks or face further economic measures in the next three months.

There is one domestic point. Mrs Thatcher has always faced the possibility of a revolt within her own party on the South African question. So far she has kept her people together and yesterday behaved with great parliamentary skill. But if it does come to sanctions, the opponents in the party should acknowledge that she has done her best and that there is no alternative.

The muddle over pensions

ACTUARIES do not have a reputation for hyperbole. There is therefore a case for sitting up and paying attention when the normally mild-mannered Institute of Actuaries uses the blunt banner "Chief actuary slams Government" to publicise a hard-hitting speech by Professor Peter Moore, its retiring president. Prof Moore, who is also the principal of the London Business School, accuses the Government of "Alice in Wonderland thinking" on pensions. He argues that bureaucracy and rushed legislation are creating unprecedented confusion and doubt in the industry.

Prof Moore's unease about the thrust of policy is not idiosyncratic. Grave reservations have been expressed from all corners of the business — the National Association of Pension Funds, the life companies and small independent consultants. A common complaint is that different arms of government are pursuing contradictory policies with damaging long-term consequences for pensioners. Another is that the time horizons of ministers are far too short for an industry that thinks in terms of decades.

Sex equality

The Budget plan to force pension funds to reduce their "surpluses" or else face tax penalties is a good example. The Treasury wants to ensure that schemes are never more than 5 per cent overfunded — in other words that their assets do not exceed their liabilities by more than 5 per cent. The Occupational Pensions Board on the other hand, which is concerned about pensioners' security, has long sought to ensure that schemes are at least 100 per cent funded — in other words that assets at least match liabilities. Yet the measurement of surpluses is controversial: most actuaries regard the efforts to enforce accuracy to within 5 per cent to be quite unreasonable.

The Government is also attracting criticism for its advocacy of "unisex annuities." It says life companies must offer men and women retirement annuities on equal terms. The actuaries say this is nonsense: women live longer and therefore cannot expect such good terms because the payments on average last longer.

The argument has nothing to do with sex discrimination: if fair-headed men could statistically be shown to live longer than dark-haired men, they too would be offered less attractive rates. The actuaries are right in arguing that an irrational state diktat seems likely to prevent them pricing commercially.

A third area of controversy concerns the terms on which people should be able to opt out of occupational schemes and into the personal pensions favoured by the Government. Once again Mr Fowler's solution is actuarially crude in the extreme. He is insisting on a flat payment to all employees opting out equivalent to about 5½ per cent of earnings; yet what people should qualify for depends on sex and age and varies between 2 per cent and 12 per cent of earnings. This is a type of cross-subsidisation which the Government would normally be keen to avoid and which could threaten the viability of some company schemes.

Fundamental anxieties

Mr Fowler's suggestion that all opting for a personal pension should also get a bonus equivalent to 2 per cent of earnings, paid for out of the national insurance fund, has attracted even more hostility. Actuaries have pointed out that the tab would be picked up by those still in occupational schemes. The Government has now backtracked and says that the bonus would not be paid to leavers who had been in a scheme "for a reasonable period." So far Mr Fowler has been unable to decide what in practice this will mean.

Many in the pensions industry have two fundamental anxieties about the Government's approach to retirement provision. The first is the abandonment of the political consensus on pensions established with difficulty in the 1970s. The danger is continuing uncertainty in what is a very long-term business: Labour is pledged to scrap the Fowler reforms which in any case cannot be implemented before April 1988 — perilously close to the next election. The second worry is that Mr Fowler has neutered the state earnings related scheme, by halving its planned benefits, without showing convincingly that personal pensions can cost-effectively fill the gap.

Stewart Fleming in Washington examines rival approaches to welfare reform

Politics returns to the ghetto

"A SOCIETY which gives up on people is a sick society — there is no such thing as an underclass."

These defiant words from Governor Michael Dukakis of Massachusetts in an interview last month jarred with the comments a few weeks earlier from a member of the British government at a private dinner in Washington.

The official was arguing that Britain's record unemployment rate would not be a dominant issue at the next general election. Did this mean, he was asked, that the UK was learning to live with the idea that there is a large underclass of unemployables in Britain? His reply was affirmative.

As Senator Daniel Patrick Moynihan of New York pointed out recently at a Democratic seminar on social policy attended by Democratic party presidential hopefuls such as Governor Mario Cuomo of New York and former Virginia Governor Charles Robb, "the issues of social policy the US faces today have no European counterpart nor any European model of a viable solution."

But if the problems facing the Atlantic societies are different, as they are—Europe's indigents are not primarily ghetto blacks—just as striking is the difference in attitudes of many public officials to these problems. To many Americans, the attitudes of European leaders towards long-term unemployment and associated poverty seem to be tinged with complacency.

In the US, however, after years of largely ignoring the black ghettos which scar the centres of cities such as New York and Chicago, politicians on both sides of the political divide are focusing on the implicit challenge they pose to American values. Their ideas for tackling the problem are radically different.

Few would disagree with the judgment of Mr Nicholas Lemann in a recent article on the Origins of the Underclass in the Atlantic magazine: "The country seems to be gearing up for another run at the problem of the ghettos."

Perhaps the most striking evidence of this came in President Ronald Reagan's State of the Union speech in February.

Signalling a White House decision to address the issue of welfare reform and (by implication) the intractable problem of the Big City ghetto, Mr Reagan said: "After hundreds of billions of dollars in poverty programmes, the plight of the poor grows more painful. But the waste of dollars and cents pales before the tragic loss—the sinful waste of human spirit."

Americans have in recent months been newly exposed to the scale of this waste. Among the increased media coverage was a memorable television documentary "The Vanishing Family . . . Crisis in Black America," compiled for CBS by Mr Bill Moyers.

Illegitimacy and families without fathers—in the film one young man claimed to have six children by four different women none of whom he married—are just one aspect of the breakdown of social cohesion in the ghettos that reporters, and politicians, are now focusing on.

By some estimates, perhaps 5m-7m blacks are living in conditions of appalling poverty, violence and hopelessness in these slums. It is a problem made worse, argues Mr Lemann, by the fact that the black middle class, which benefited from the civil rights legislation, has moved out of the ghettos.

Earlier this year former governor Robb ran down the list of indicators of disintegration of black family life in the ghettos: "One out of every two black youngsters lives in poverty. One of every two grows up without a father. One of every two teenagers is out of work. One of every four births is to a teenager. One of every 21 young black men is murdered. Murder is the leading cause of death for young black men."

It is, says Senator Moynihan, "social regression. Or does that term libel the past?"

It is not easy to explain the fact that issues like poverty and the inner city ghettos are back on the political agenda. One reason is that, in spite of the civil rights and the great society and war on poverty programmes which the Democratic party so triumphantly conceived in the 1960s, the problems seem to be getting worse.

As former Governor Robb put it in April: "The social ills which fester in our cities will eventually affect those who ignore them in comfort today." Mr Lemann argues that the drug and violence cultures which flourish in the big city ghettos are already spreading to black districts in smaller towns.

Another factor, however, is that President Reagan and conservative commentators have put the issue of welfare on the political agenda. Mr Reagan's efforts to shrink the Federal government and the pressures which huge budget deficits put on Congress to cut government programmes have closed in from one side. From the other, conservative commentators have argued persuasively that the Democrats' welfare programmes have succeeded only in making the situation in the ghettos worse, not better.

In his State of the Union speech, Mr Reagan put this case forcefully. Welfare, he said, quoting Franklin D. Roosevelt, the Democrat who is credited with the foundation of the American welfare state, is "'a narcotic . . . a subtle destroyer of the human spirit.' We must now escape the spider's web of dependency."

And it is not just conservatives who suspect that existing welfare programmes discourage the poor from working while encouraging them to rely on government handouts. One of the largest programmes, aid to families with dependent children (AFDC), because it pays from its $9bn a year budget substantial sums directly to unmarried women with children, is widely criticised for encouraging young unmarried women to have children while discouraging their fathers from taking on the responsibilities of parenthood.

Moreover, Republican interest in these issues is not limited to dismantling welfare programmes and saving money. Dr Norman Ornstien, a political scientist at the American enterprise institute, argues that some Republicans sense that there are votes to be won in the poverty debate, votes which they believe may help them to displace the Democrats as the natural majority party. If alternative welfare programmes can be devised and presented as cutting costs but still showing concern about the poor, while at the same time increasing incentives for individuals to work and families to stay together, then perhaps some blue collar workers could be induced to abandon the Democrats.

As Democrats look into the mirror of this argument, they dislike what they see. Not only are the party's social programmes of the 1960s called into question and with it the achievements of the party's past, the party's future is also seen to be on the line. If "self reliance gumption and go gettingness" are all US social policy is about, says Senator Moynihan, then "no one needs democrats."

He castigates members of his party for guiltily conceding that the programmes they enacted have failed when the truth is that "given the resources devoted to fighting poverty, the policies have done as well as we could have hoped."

While conceding that "the social problems which trouble us and baffle us are exceedingly unlikely to cure themselves . . . what is equally obvious is that we are grievously short of specific ideas."

There is, nevertheless, around the US a considerable amount of experimentation going on at the local level aimed at tackling parts of the poverty problem, much of it focused on trying to link efforts to save money with attempts to get people off the welfare rolls and into jobs.

These "Workfare" schemes cover a wide range of programmes. Since 1981, when Congress allowed the states for the first time to toughen the terms of AFDC welfare grants so that clients must actually work in return for benefits, Workfare schemes have proliferated.

In Congressional testimony in April, Ms Barbara Blum, president of the Manpower Demonstration Research Corporation, a private sector think tank, estimated that some 26 states had opted to run work incentive demonstration programmes.

These schemes have their critics.

They "treat people like cattle and electrically prod them off welfare" into what are, in effect, non-jobs, public service make-work arrangements, says one government official. Some argue that Workfare deprives existing employees of their jobs while not offering long-term career prospects to the former welfare recipients.

But Workfare is by no means only a tool of Conservative social policy makers. An ambitious Education and Training (ET) programme in Massachusetts launched by liberal Democrat Governor Dukakis has attracted as much national attention as Workfare with a more human face. It is different in a number of ways; voluntary, not mandatory, and expensive — its 1986 budget is $45m. Much of this is spent on day care for the children of the women who enter the scheme.

The ET programme also offers welfare clients counselling on their careers and choices. One of those choices, for functional illiterates, is basic education. Specific job training is another.

"Our system is based on client self-interest. It allows the client to make choices about how they want to enter the labour market. It assumes they will make good choices, but that they will also make mistakes and get another chance," says Mr Thomas Glynn, deputy commissioner of the Department of Public Welfare. The state claims to have put 23,000 individuals into employment since 1983 through ET and to have reduced the welfare rolls and saved public money.

Such calculations, however, are based on assumptions about how long individuals would have stayed on the welfare rolls without ET. And anyway, sceptics ask, could it happen anywhere but Massachusetts, a boom state with a labour shortage?

Such considerations, and the fact that in Boston blacks have never accounted for more than 20 per cent of the city's population, raise questions about the applicability and depth of public support for such a programme in other big cities.

Perhaps the point is that the system delivers what the public is prepared to pay for. "For a given caseload, Workfare usually costs more than plain welfare at least at the outset," says Lawrence M. Mead, associate professor of politics at New York University.

In America today, building political support for such outlays at a time when state, as well as national governments, are looking carefully at their budgets and facing cuts in Federal funding for some programmes, is no easy task.

Those liberal Democrats who back such a comprehensive approach to attacking poverty find themselves not in command of the ideological debate. The liberal philosophy (which lies behind the Massachusetts programme), namely that those on welfare *want* to work and what they need is opportunity, training and jobs and government spending to help provide these opportunities, is no longer widely accepted as self-evidently true. Many Americans believe that liberal Workfare is all part of an approach which has been tried and failed.

Caught in the middle of this debate, of course, is a black population conscious of America's racist past, and of the pressure that it had to exert to secure civil and economic rights.

Blacks are sensitive, too, to the fact that a public which in the end agreed in the 1960s that government had to act to correct racial injustices, is less sympathetic to the idea that in a society which has created 10m new jobs in the past four years, government needs to do more to help even out the economic disadvantages that remain.

Some conservative black scholars such as Professor Glenn Loury of Harvard are arguing that while welfare may not cause self-destructive social behaviour, it "underwrites" it. Increasingly, black leaders, while arguing that self-help has always been a characteristic of their culture, are saying that blacks need to put still more emphasis on helping themselves

The Workfare debate is likely to become more sharply focused later this year when the President is expected to release the results of the Administration's analysis of the issues.

There is concern, however, not to raise hopes. "The negative power of ghetto culture all but guarantees that any attempt to solve the problems of the 'underclass' *in the ghettos* won't work—the culture is too strong," says Mr Lemann.

Poverty in the US is by no means reserved for blacks. But there is ample evidence that black women with children are among the worst off. Officially some 33.7m Americans are classified as poor, of which some 23m are white and 9.5m black. There are three main Federal welfare programmes from which the poor are entitled to draw: food stamps (which cost $13bn a year), and to families with dependent children ($9bn plus state matching funds) and Supplemental Security Income (SSI) which goes to the old and disabled ($10bn) a year). In only three states have benefits kept abreast of inflation over this period.

Men and Matters

Italy's high politics

In one of those moments of high farce which Italian politics seem to produce, President Francesco Cossiga was yesterday forced to consult a man now serving a 10-year sentence for drug dealing with the Naples Mafia about the future government of the country.

Enzo Tortora, once the country's leading television presenter, is currently chairman of the tiny left-wing Radical Party—and thus could not be left out of Cossiga's round of talks with Italian party leaders on the fate of the Craxi Government.

The flamboyant Tortora turned to politics a couple of years ago after he was accused by a Naples supergrass of having been a Mafia collaborator and cocaine dealer. He protested his innocence, was elected to the Euro-Parliament in Strasbourg as a Radical, was convicted of the charges, resigned his seat, and was then appointed chairman of the Radical Party (which campaigns for reform of Italy's archaic judicial system).

So it was that yesterday afternoon, having received special dispensation from a Naples court, Tortora was escorted by police guards from house arrest in Milan (he is appealing against sentence and conviction) to the presidential palace in Rome.

Quite how the veteran President Cossiga, a man of greyish disposition and vast reserves of diplomacy, dealt with his visitor is anybody's guess.

But the event certainly raised an eyebrow or two even among Rome's world-weary politicians.

"Looks as good as new—is it the same guy that looks after the President?"

Shearson's recruit

Shearson Lehman Brothers International, the UK investment banking arm of American Express, is taking the unusual step of appointing an Englishman to head its London banking operations.

Bill Harrison, currently a director of J. Henry Schroder Wagg, the British merchant bank, will be joining Shearson later this month in a move by the US bank to give its corporate finance activities, in particular, the local touch. Some US investment banks have been criticised for applying American techniques to the UK scene.

Harrison, 37, has not lost his Birmingham accent despite spending most of the past 19 years in London, and his relaxed manner contrasts strongly with the normal formality of the merchant banking breed.

Experience gained with the British National Oil Corporation and Tricentrol stood him in good stead in building up Schroder's corporate finance expertise in the energy sector.

Harrison's move is, in a sense, a return since he worked in New York and London for the old Lehman Brothers in the late 1970s.

Shearson recruited two other British merchant bankers earlier this year when it signed up Michael Stallibrass and Philip Buscombe from Kleinwort Benson.

The US bank is currently advising Allied Lyons on its attempted purchase of Hiram Walker's drinks business. It was also one of the lead underwriters in a recent fund raising by Hawley Group.

Eureka

By the normal standards of European decision-making, this week's agreement by the 18 governments involved in Eureka, the high-technology collaboration scheme, to locate the programme's headquarters in Brussels was reached in double-quick time.

Part of the reason was some skilful behind-the-scenes horse-trading, whereby France agreed not to press its campaign for Strasbourg as a possible site in exchange for getting a French official appointed as head of the Eureka secretariat.

The Belgian authorities, however, also had an ace up their sleeve. By a happy coincidence, they have been able to offer the seven-member Eureka secretariat a suite of offices on the Rue Archimède.

Golden oldie

Few Canadians who were around in the 1960s can forget the golden years of Jean Drapeau, mayor of Montreal for 29 years. It was Drapeau who led the drive which transformed a dingy provincial city into the beginning of a metropolis.

Expo 67 was lawyer Drapeau's finest hour. After President de Gaulle shouted "Vive le Quebec libre" from the balcony of the city hall, Drapeau replied with almost Churchillian gusto at a later banquet: "Where have the French been this last 200 years."

Now it looks as if Drapeau, 70, has come to the end of the road. He will not seek a ninth term as mayor. A stroke in 1982 was followed by a spinal injury last year. He broke down in tears at the press conference to announce his retirement.

The more recent years have not belonged to Drapeau. Quebec's separatist movement became violent and he could never come to terms with the new nationalism. Businesses moved from Montreal. Hoping to rise above it all, he brought the Olympic Games to Montreal in 1976 and Quebecers still have a $700m debt to pay off.

But as he goes, his economies of the last few years look like paying off. Tomorrow a major agency will upgrade Montreal's credit rating.

Tall storeys

The world's tallest hotel opened its doors in Singapore yesterday smack in the middle of a rooms and rates war. The 73-storey Westin Stamford (1,235 rooms) is part of the Raffles City complex and just across the street from the fading old Raffles Hotel (122 rooms).

The S$1.3bn complex also includes the Westin Plaza (796 rooms), a convention centre, a retail complex and a 42-storey office tower.

The total of 2,049 rooms would represent a marketing headache anywhere, but in Singapore it could last years. Forecasts project a rise in hotel rooms of 10,000, or 51 per cent, between 1985-90. Unless demand picks up or visitors stay longer, excess supply will be 8,500 to 9,000 rooms each year until 1988.

The scale of the problem is only too visible on a large patch of land near Raffles City. There the three hotels of another vast project, Marina Square, will add a further 2,086 rooms to the market.

Thanks to the pressures of Singapore's over-supply, a single room at the Westin Stamford will cost a mere US$38 a night. The top rate is US$55.

Observer

Britain's EEC presidency

A test for the odd man out

AS IF the music stopped at midnight, Brussels yesterday performed its six-monthly ritual of musical chairs, and Britain took over the presidency of the EEC from the Netherlands.

The exercise is traditionally a signal for a prolonged period of somnolent inactivity, as the incoming chairmen of the whole paraphernalia of working groups, special committees and full ministerial meetings struggle to master their portfolios, and if possible push their pet subjects onto the agenda.

No such luck for the British. From Day One, July 1, they need to head off hostilities in the long-simmering US-EEC trade war over grain markets. On Day Three—tomorrow—they will have to cope with the consequences of a major judgment in the European Court of Justice, which may well require the renegotiation of much of the current budget.

Some would mischievously say there is no peace for the wicked. Thanks to years of being the odd one out on a whole host of Community issues, Britain's third turn in the presidency since it joined the EEC in 1973 is certain to be seen as a test of just how "European" the British have managed to become.

It is the first time the UK has taken the chair since the summit meeting at Fontainebleau in 1984 finally found a solution—for a few years at least—to the perennial budget dispute which had embittered relations between the member states up till then.

On that occasion, Mrs Margaret Thatcher agreed on a formula to get her money back—the famous demand she made in 1979 for a big cut in Britain's net contributions to the budget.

Only nine months later, the British Prime Minister was able to rub the message in before a Brussels press conference, when she declared: "I am delighted to tell you that we have reached an agreement on new Mediterranean programmes, and it won't cost Britain a penny."

The question is, has the British attitude towards the Community changed, or is it simply out for what it can get, provided it does not cost any money? Is Britain still the odd man out, or can this stint in the chair prove its new-found European credentials?

If Britain is still somewhat odd, there is no doubt others are odder. The UK remains the strictest of all budget disciplinarians, but the Netherlands and West Germany are very close behind. Even France is joining that particular lobby, now it has become a net contributor to the budget itself.

On reforming the Common Agricultural Policy, the UK is also the most committed, supported in theory but seldom in practice by a handful of others. West Germany is solidly in the camp of the slowest movers, fighting every hint of a price cut to the finish. But all now accept that some reforms are needed to cut surplus production.

On scrapping the barriers to internal trade in the Community—completing the ever-

Quentin Peel reports from Brussels

elusive Common Market—Britain is out in front as the most enthusiastic. On liberalising air fares, it is stuck in a minority of three with the Netherlands and Ireland.

Denmark and Greece are now the oddest ones out, although often at opposite ends of the spectrum: the Danes seeking to have a special deal for their high environmental standards, for example, the Greeks simply looking for exemptions on most of the issues on the order paper, it seems.

The Community as a whole is, however, a very different creature to the six-nation group pre-1973: it is altogether more disparate and diffuse, making it much more difficult for one country to be entirely isolated. Since Spain and Portugal joined on January 1, there have been new balances and new alliances to form: North vs South, and the centre vs the periphery, instead of one against the rest.

Indeed, that is the very problem which British chairmen must show they can handle, from Sir Geoffrey Howe, the Foreign Secretary, who is the official president of the Council of Ministers, to the humblest British official chairing a technical working party in Brussels.

So far, British Ministers and officials have shown themselves torn between the low-key and the high profile approach.

"If you think the Dutch presidency has been dull, just wait for what we have to offer," one cynical British official remarked.

Sir Geoffrey's line is much the same: "The presidency does not offer each holder the possibilities of accomplishing some great initiative. It is the job of the presidency to maintain impetus."

None the less, the UK government has drawn up a list of considerable ambitions for the presidency, to complement an agenda of activity which already looks daunting.

It is also clearly hoping to use the opportunity to make a bit of a splash back home. It is a chance to persuade a sceptical British public that there are real benefits in the EEC, Sir Geoffrey believes—and no doubt to persuade them as well that the present government is best set to exploit them.

The trouble is that a whole range of issues on the agenda may complicate that ambition, and set a real challenge to Sir Geoffrey and his Ministerial colleagues — and to Mrs Thatcher when she comes to chair the December summit in London—to demonstrate their success.

It is obvious already that South Africa will be the most difficult and potentially divisive issue for political co-operation between the twelve. It may very well distract Sir Geoffrey from other Community affairs.

On the economic front, the budget will hit first; the European Court announces its decision tomorrow on the legality of the 1986 exercise. The irony is that such a sensitive issue for the British will strike not once, but twice, in the next six months.

The first problem is to approve extra spending of around Ecu 2.5bn (£1.5bn) for the current year, partly to cover the soaring cost of subsidising farm exports as world dollar prices slump, partly to pay for social and regional spending, and partly because of that most embarrassing of issues: increased rebates to the UK.

If that can be resolved quickly—and British officials, the European Commission, and members of the European Parliament think they may be able to break all records and finish in July—they have to begin the exercise for 1987 immediately afterwards.

Both budgets threaten to exhaust every available Ecu in the EEC coffers—up to the new limit on contributions of the so-called 1.4 per cent VAT ceiling, raised only last January. They will require some very tough decisions on whether to cut back agriculture spending, or the social and regional funds, not to mention the Commission's ambitions for a big research programme.

Completing the Common Market is the area in which the British government is hoping for the most visible, and most popular—not to mention the most inexpensive—progress. The trouble is that the programme has fallen well behind schedule.

Then there is the great Anglo-Italian-Irish initiative launched last month to tackle unemployment through deregulation: a paper which is apparently intended to give a flavour to the presidency. Its content remains very vague, and it is regarded with some suspicion in Brussels as a simple ploy by the British government to remove unwanted social legislation—worker participation and so on—from the agenda.

A key to the success of the presidency is the ability of the British to provide good chairmen and women. Recent Cabinet reshuffles have paid scant regard to the need to keep experienced Ministers in such jobs, with changes at Trade, Transport, the Foreign Office and the Treasury.

A lot of homework has gone into the sheer administration of the presidency over the next six months, and the British civil service is second to none in Brussels for preparation and coherance of its presentation.

There is a danger that they will be too quick and clever for the rather creaking machinery of compromise-seeking that is the Community. But in the end, it will be the qualities of diplomacy and crisis management which decide whether Britain will emerge from the whole exercise looking at last like a full member of the EEC.

On that score, managing not to be isolated either on South Africa or on the budget will be critical.

THE AGENDA

INTERNAL MARKET

Approve some 80 separate proposals to remove national barriers to internal trade in the following areas:

Non-life insurance; Air and maritime transport; Training for engineers and medical practitioners; Standards for car exhausts; Food law; Measures for common VAT and excise regulations.

EXTERNAL RELATIONS

Launch the new round of the General Agreement on Tariffs and Trade; Resolve the US-EEC trade dispute over Spain and Portugal; Negotiate greater market access in Japan; Normalise relations with Turkey (and settle problem over access of migrant workers); Finalise post-enlargement relations with non-EEC Mediterranean states.

AGRICULTURE

Press through agriculture reform programme; Negotiate future for beef intervention system; Finalise set-aside system for cereals to reduce overproduction; Decide direct aid measures for restructuring farms; Negotiate new New Zealand butter quota.

INDUSTRY AND RESEARCH

Agree long-term framework for research programme; Settle next phase of Esprit information technology programme; Decide state aids code for shipbuilding.

FINANCE

Resolve 1986 budget dispute with European Parliament; Find Ecu 2.5bn for current budget shortfall; Settle 1987 budget within ceiling on cash resources.

POLITICAL CO-OPERATION

Agree a common policy on South Africa; Adopt a distinctive European position on East-West relations; Finalise plans for permanent secretariat; Crisis manage issues of the day.

US trade policy

Reagan can cool a long hot summer

By Patrick Jenkin

SOME years ago I attended a conference in Bermuda, where trade was on the agenda. That great and good man, Senator Ed Muskie (Maine, Dem.), spoke passionately of the merits of free trade. Our free society, our democratic institutions, our culture depended, he said, on free trade.

He was interrupted by a sceptical Republican colleague: "Say, Ed, does all this apply to shoes?"

Quick was the reply.

"Oh, no—shoes are different!"

Shoes are an important industry in Maine.

Last week, with two Parliamentary colleagues, I was in Washington to find out what lies behind the wave of protectionism now beating against the White House.

The picture painted for us in Washington is full of paradox. The proposition that a basically free trade Administration is heading for a showdown with a protectionist Congress is true but vastly too simple. The Administration calls for strong protection in specific cases;

Another, over-simplified view is that a Democratic House majority has seized on trade as an issue on which the Republican Administration is vulnerable, but the fiercest voice we heard calling for immediate retaliation for the loss of US farm exports to Spain and Portugal came from a Texas Republican Senator.

Paradoxically, the highly protectionist House Trade Bill (HR 4800) is opposed by the main agricultural lobbies who realise that they stand to lose most if US protectionism leads to retaliation by others.

That the risk of retaliation is a real one has been brought to the fore by the Canadian "shakes and shingles" episode. This is a tiny Canadian industry in manufactured products for the building industry against which the US Administration raised new import barriers.

The retaliation was immediate and condign — Canada imposed restraints on over $1bn US exports. (The fact that we found no one in Washington who could tell us what "shakes" actually are is beside the point; "shakes-'n'-shingles" is now part of the political argument!)

Who is the new protection aimed at? Is it Japan's $50bn trade surplus? There is clear evidence that the US Administration is bent on playing down a US-Japan trade dispute; the State Department is blandly optimistic that Japan is now *firmly on course to produce* a new trade deal with the rest of the world. The Trade Bill's supporters will admit that it is aimed not only at Japan, but at the EEC, Canada and even China.

So what are the facts? It is a fact that around $110bn of trade is done between the US and the EEC annually; we are both basically open markets.

The Americans complain that the CAP stands out as a gross exception. But it is a fact that the US will be spending over $56bn on agricultural support over the next three years, roughly the same as is likely to be spent by the EEC.

Is the US more vulnerable to unfair trade? In 1984 imports into the US accounted for 9.3 per cent of GNP compared with 11.2 per cent in Japan, 24 per cent in the UK and 25 per cent in Germany.

Is the US a victim of others' non-tariff barriers? World Bank figures suggest that some 43 per cent of US imports are covered by non-tariff barriers, compared with 22 per cent of EEC imports. Even if you leave out fuel, the US figure is higher than all EEC countries except France.

The Trade Bill is without doubt a damaging protectionist measure as it now stands. Parts of it have been described by the US Chamber of Commerce (which believes there should be a Bill of some sort) as "intellectually reprehensible." The so-called Gephardt amendment would require the President to take mandatory action to reduce trade surpluses of countries that have "excess" bilateral surpluses with the US by some 10 per cent annually over four years. This would undoubtedly be a blatant violation of the Gatt.

The Administration "hopes" that it will be able to marshal enough votes to stop the Congressional override of the veto.

There is significance in the fact that on June 10, Secretary of State Shultz made a powerful speech to the prestigious Economic Club of New York calling for widespread opposition to the Congressional campaign. It was significant for three reasons: first, he himself asked for the platform at short notice; second, he took pains to *rehearse all the arguments*—economic, political and strategic—why the US should not lead the world into a trade war; and third, he asked the audience to use its not inconsiderable influence to support the President

The fact is that the trade deficit is, as Mr Shultz said, "*very much related to our fiscal deficit.*" He roundly declared that it was undesirable that the US should draw on world savings to finance its own budget deficit, and it is good to hear such a round condemnation from so authoritative a source.

So what will happen? A great deal will depend on the Congress's perceptions of the pressures.

At present, most of the pressure is for more protection and therefore for the Trade Bill. But, there is a new industry on Capitol Hill. It is that of legislators' staffs answering the hundreds of thousands of letters that flood into Congress whenever the President goes on TV and complains that Congress won't agree to what he wants.

So watch what President Reagan is doing. He is a free trader by conviction and he sees his Presidential authority at stake. He may not get all he wants, but my guess is that he will get most of it.

America is wedded to freedom, in all its facets. Of course, in the real world, there will always be some exceptions. It may be Ed Muskie's shoes. It may be Canada's "shakes 'n' shingles." It may be the less important parts of HR4800.

But the American people will do themselves and the world incalculable damage if they ignore the President's warnings and allow Congress to launch the most serious trade war since the Smoot-Hawley Act over half a century ago. Whichever way it goes, it will be a long, hot summer in Washington.

Patrick Jenkin is Conservative MP for Wanstead and Woodford and a former Cabinet Minister. This article is based on a speech he made at Chatham House.

Letters to the Editor

Financial Services Bill

From Mr R. Morton

Sir,—I have been reading the Hansard report of the debate on the committee stage of the *Financial Services Bill* with increasing dismay at the lack of understanding by the Government of the legislation it is promoting. Mr Ratcliffe (June 24) has drawn attention to the way in which a large part of the insurance industry's activities are to escape regulation, but what is perhaps even more bizarre is that the Government intends to let property investment escape too.

Apart from its use by private individuals and trusts, this category of investment accounts for 12½ per cent of pension fund assets and nearer 20 per cent of insurance companies'. After some rhetoric, the Minister (Michael Howard) seemed to advance three reasons for resisting an amendment to include non-residential property: there is a general principle underlying the bill that "it excludes physical property which a potential purchaser can inspect and which passes under his direct control on purchase"; that other things like stamps and works of art would have to be brought into the legislation if property was admitted; and that it would greatly increase the range of businesses to which the Bill would apply "to no clear advantage."

The essential characteristic of property bought as an investment is that it is let to a tenant who pays rent. During the tenancy the freeholder has only very restricted rights over the property; for instance, modern leases almost invariably provide that the tenant is responsible for all repairs. If a tenant defaults on the repairing covenant, the freeholder may theoretically have the right to do the repairs himself. It may not however be possible or wise to enforce that right in any individual case and he will need skilled advice on whether and how to do so.

Despite the publicity which has in the past attached to purchases of works of art by one pension fund, no major institution is now, so far as I am aware, in this market. Apart from the sheer scale of investment interest in the property market, referred to above, stamps and works of art are essentially connoisseurs' markets. Institutions do not buy property because they like the look of it but because the prospective return on their investment is capable of being analysed and forecast and they think it is competitive with other main-line investment media. For this reason, the performance of property is extensively calculated and compared with that of shares or *index-linked gilts, but never* with that of stamps.

If the Minister's aim is going to be to keep as many businesses as possible outside the scope of the Bill, then one of its declared purposes — "to *regulate the carrying on of* investment business"—becomes a nonsense. The level of skill, judgment and integrity on which investors in property—a private market in which each contract is the subject of individual negotiation—need to rely is if anything higher than for stock market investment, where the public nature of markets automatically provides some protection. Moreover property agents are increasingly being bought by financial services conglomerates and in such cases would be the only unregulated part of what was otherwise a fully-regulated group of investment businesses. Thus if there is "no clear advantage" in bringing property within the scope of the Bill there is really no point in having any statutory framework of regulation for any kind of investment business.

I suggest therefore that the Minister and his advisers should acquaint themselves more fully with the real world in which non-residential property is bought and sold before the Bill comes back to Parliament.

Roger Morton.
Rose Cottage,
Kirk Ireton, Derby.

Business in South Africa

From Mr P. Middleton

Sir,—Gavin Relby's letter (June 27) on sanctions and South Africa is timely and I think correct. But I wonder whether Mr Relby and the other South African businessmen now "desperately worried" ever think about how we have reached the situation where sanctions can be seriously contemplated by a Conservative Government.

We are where we are because big business in South Africa has been quite content to allow its Government to get away with lunacy under Verwoerd, and vacillations from then on. Every South African Government has been potentially vulnerable to the threat of internal sanctions. They have even had to face them. If Mr Relby's predecessor and others had refused to foot the bill for the absurd policies of successive nationalist Governments we would all be better off.

They didn't have to pay *lower wages to their* black workers, they didn't have to provide separate amenities, they didn't have to tolerate the Governments views on residential qualifications and the "benefits" of migratory labour. *They just assumed they* had to.

It is this failure of political imagination and, dare one say it, guts, on the part of South African business that is at least as responsible for Afrikaner insularity for the sad, sad *state* our country is now in.

Philip Middleton.
69 Old Broad Street, EC2.

Private medical care

From Mr A. Diamond

Sir, — The Government is constantly stating how much money over and above the rate of inflation has been invested *in the health service, while* opposition parties draw to electors' attention the apparent continuous closure of hospitals throughout the UK.

At the same time, the Tory party is divided as to whether income tax should be cut in the forthcoming budget or taxation remain at the present level and more money be spent in the health service. Surely there is an easy solution to these problems. If the Government were to encourage more individuals to subscribe to private medical insurance by allowing these subscriptions to be offset against their individual tax assessments, then the best of all worlds might be achieved. There would clearly be a growth in private medicine and more care shown in the public sector. More doctors and nurses would be recruited, more hospitals would be required hence bringing greater employment in the building industry. Thus pressure on the national health service would be aleviated and patients who were unwilling to subscribe to private medicine benefits would enjoy better care in the public sector health resources.

Alan Diamond.
29 York Terrace West,
Regent's Park, NW1

Styles in takeovers

From the Chief Executive and Financial Director, Wellington Polymers.

Sir, — We read the letter from Mr N. Soames MP (June 24) and feel that a response to some of his statements with regard to acquisition accounting and predatory acquisitions with particular reference to Evered should be challenged.

Wellington Polymers was acquired by Evered at the end of 1985. Merger accounting not acquisition accounting was used in this case. It is therefore plain to see the effect of Wellington in the Evered accounts.

In his letter, Mr Soames referred to the "modest growth to date achieved by British companies" concealing "in many companies, major success in rationalisation, reorganisation and investment for the future." On occasion this is true and the reason for it is that the management approach necessary to rationalise and reorganise is significantly different from that required to achieve growth, which has indeed been shown at Wellington.

Investment in plant and machinery is already ahead of previous years, recruitment of additional sales, marketing and technical expertise has taken place and continues. The whole atmosphere has changed since acquisition under the Evered management style. The seeds of real growth are evident to all those close enough to see them.

Tony Withey and P. J. Beverley.
Station Road,
Great Billing,
Northampton.

Regulation of BT

From Mr G. Roussopoulos

Sir, — Your editorial of June 26 on British Telecom repeats the oft-heard statement that local calls are uneconomically low and long-distance tariffs artificially high. The real issue is more subtle. My residential tariff roughly quadruples when the destination of my call moves from 20 km to 40 km, from the local to the B1 charge zones, then remains constant for the next 1,000 km or so. I suspect therefore that the public is first undercharged, then charged then overcharged over again because there are not enough steps in the tariff structure.

When I asked Oftel whether it would look into it, I was surprised to be told that "unfortunately the charging structure about which you complain does not fall within the RPI basket and Oftel does not therefore have specific powers of control." I am now pursuing the issue with BT, but this experience suggests that the terms of reference legislated for organisations which are to regulate private monopolies should be drawn in the widest terms if the public interest is to be effectively defended. A lesson which should be applied to British Gas and the water authorities, perhaps?

G. A. Roussopoulos.
March House, Churt Road,
Hindhead, Surrey

FINANCIAL TIMES
Wednesday July 2 1986

Dutch coalition close to reaching accord

By Our Amsterdam Correspondent

THE Netherlands' new centre-right Government could take office as early as next week if the provisional governing accord is accepted and Cabinet posts can be amicably parcelled out.

The coalition parties, the Christian Democrats and their Liberal partners, are expected to report more or less favourably on the provisional accord tomorrow. A pair of *formateurs*, including Mr Ruud Lubbers, the Prime Minister, will then probably be appointed by Queen Beatrix to form the new Cabinet.

The provisional accord, intended to bind together the coalition partners for another four years, consists of two major parts: the budget for 1987–90 and a packet of controversial issues comprising euthanasia, commercial broadcasting and mandatory sexual equality. Mr Lubbers' second administration is expected to look much like his first in terms of economic austerity and government cutbacks, but with a milder flavour.

As guiding principles, the Christian Democrats and Liberals have agreed upon the need to cut the high unemployment level, maintain purchasing power and stabilise the burden of taxes and social security premiums. The coalition partners have been negotiating the accord since the general election on May 21.

The budget proposals are the least of the problems for the coalition partners. A total of Fl 18.5bn ($7.47bn) is to be cut from the budget, significantly smaller than the Fl 29bn in savings originally planned for the past four years. Some Fl 12bn is to be cut from ministerial budgets, civil servants' wages, the social security system and the health service. An extra Fl 3.8bn will be raised through temporary tax increases.

The other policy issues pose more risk of disagreement. Euthanasia, commercial broadcasting and legalised sexual equality are all supported by the Liberals and opposed by the Christian Democrats. But Mr Lubbers, the highly respected and pragmatic Prime Minister, is thought to be able to bridge the gaps.

In the new 14-member Cabinet, the Christian Democrats will gain one seat for a total of nine and the Liberals will lose one for a total of five, based on the election results. Mr Lubbers is virtually certain to continue as Prime Minister and Mr Jan de Korte, the Home Minister who is also expected to be appointed a co-formateur, is mooted for Economics Minister and Vice-Premier.

Mr H. Onno Ruding is seen as having a good chance to keep his portfolio as Finance Minister, as does Mr Hans van den Broek, the Foreign Minister.

Saint Gobain studies US targets for $600m bid

BY DAVID HOUSEGO IN PARIS

SAINT GOBAIN, the French state-owned glass and engineering group, is to spend between $600m and $700m on an acquisition in the US. It is likely to be the largest purchase by a French company of an American industrial concern in recent years.

Mr Jean-Louis Beffa, Saint Gobain's chairman, said yesterday that he was studying five potential projects aimed at reinforcing the group's worldwide strength and providing it with fresh technical expertise.

The proposed acquisition will dovetail with the existing activities of CertainTeed, Saint Gobain's US subsidiary, which manufactures glass fibre, insulation materials and plastic piping. Mr Beffa said it would add 70 per cent to the size of CertainTeed, which reported sales last year of $1.2bn – equivalent to 18 per cent of Saint Gobain's consolidated turnover.

Saint Gobain is one of the few French companies – along with Air Liquide, the industrial gases group, L'Oréal, the cosmetics concern, and Pechiney, the aluminium group – to have succeeded in managing a major operation in the US. Both Renault, the car manufacturer, and Elf Aquitaine, the oil company, have had severe problems.

Saint Gobain will finance its purchase by raising $400m through CertainTeed, of which $120m is already available from the US subsidiary's outstanding cash balance, with the rest through the parent group. Mr Beffa disclosed that part of the FFr 2.4bn ($348m) of fresh capital Saint Gobain has been raising through the issue of *certificats d'investissement* (CIs) – non-voting shares – is intended for its purchase in the US.

The CIs were quoted at FFr 302 on their first day of trading yesterday against an offer price of FFr 300 – thus showing a minimal premium which reflects the indigestion on the bourse caused by the large number of recent CI issues.

Saint Gobain's renewed expansion in the US comes after a lengthy period of restructuring and in the light of rising profit expectations. The group reported a 46 per cent increase in net consolidated earnings last year to FFr 753m on sales of FFr 67.8bn, and expects a further profits rise this year to FFr 1.2bn.

Mr Beffa said that the improved outlook "gives us the confidence to make a larger purchase in the US than we had initially intended."

The operation also suggests that Mr Beffa, who was appointed chairman in February, will be reconfirmed in the post later this month when the Government appoints new heads of nationalised groups. It equally implies that the expected privatisation of the group in the near future will not affect the long-term strategy Mr Beffa is now defining.

Mr Beffa said that Saint Gobain was looking for a US group which would be a world leader in its field, be the proprietor of its own technology and have potential for development outside the US. He said the group had in mind a manufacturer of composite materials or of a product with a low basic material cost. He said the operation would be completed over the next 18 months.

Saint Gobain's core activities are glass manufacture, piping, reinforced fibres, refractory products and composite materials.

British tax authorities question foreign banks' loan provisions

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

BRITISH tax authorities have questioned foreign banks in London about transfers of loans originally booked outside the UK to their British branches or subsidiaries, according to bankers and accountants in London.

The Inland Revenue's concern is that banks are seeking to take advantage of UK tax rules which allow certain provisions against shaky sovereign loans to be treated as a tax deductible expense. Although British tax authorities have taken a tough line on provisions, their approach is more flexible than many other countries. The Inland Revenue will not comment on its inquiries.

As a rule, Britain will not allow banks to claim deductibility for provisions made on loans transferred from outside the UK within the first year. After that, banks may treat them as UK-based loans.

Accountants say that the Inland Revenue's concerns are a further example of the way tax is becoming the principal determinant of where banks book loans in their extensive international networks.

The UK, unlike many other countries, has no hard and fast rules about the tax treatment of provisions which banks make in order to cover possible losses on their loans to Third World countries. These are a matter of negotiation between banks and the Inland Revenue.

If allowed, these provisions count as an expense which is deductible for tax purposes. In the past, the Inland Revenue took a tough line, arguing that since countries never go bust like companies, banks could not make provisions against loss. More recently, though, it has accepted that some countries may pay back their loans, and has said that it will consider each case individually.

This flexibility offers a bank with a good case greater scope for favourable tax treatment than in other countries. For example, the US and Germany have strict limits on the total sum of provisions allowed for tax; in Italy, banks may not claim tax deductibility except when they have actually sustained a loss – which is not yet the case on most sovereign countries.

The Inland Revenue say, however, that provisions may only be made against loan business that was originally placed in the UK. If a loan is transferred from abroad, it must come in at its written down value, and no further provisions will usually be allowed for a year. In other words, the Inland Revenue looks askance at loans that appear only to have been transferred to London for tax reasons.

Another reason for transferring business to London is that multinational banks tend to have large operations – usually subsidiaries – in the UK which are earning sufficient profits against which to offset loan loss provisions. There would be no point in shifting the loans to a centre where the provisions exceeded the bank's local tax liability.

The transfer of loans is not, however, a one-way street. Many UK banks actually transfer loans out of Britain to low-tax centres where the interest they earn on them will be taxed at a lower rate, or not at all. Since the recent cut in UK corporation tax to 35 per cent, the value of provisions in tax terms has also fallen, so there is actually an incentive for some banks to take their provisions outside the UK where taxes are higher.

A particularly creative trick is to take provisions in a high tax centre, and then transfer the loan to a low tax centre so that any future recoveries on it incur little tax.

Whatever the outcome of this latest case, it highlights a long-running problem in the international banking business where the authorities are constantly trying to keep up with the banks' highly complex worldwide operations, through which they are able to shift assets and liabilities with bewildering speed.

The most widely publicised case occurred in the 1970s when Citibank, the largest US bank, was fined in several European countries for avoiding foreign exchange controls and tax by "parking" currency positions in low tax centres like the Bahamas. The US Securities and Exchange Commission produced a thick dossier which almost reads like a financial thriller.

Mexico, creditors set deadline for debt agreement

By David Gardner in Mexico City

MEXICO and its international creditors have set themselves a 30-day deadline to reach a new agreement on the country's $97bn foreign debt.

The new accord will restore growth in 1987-88, continue structural reform of the economy, and take "explicitly" into account the country's reduced income as a result of the oil price collapse. It was announced on Monday night by the Mexican Treasury, following the return from Washington of a negotiating team led by Mr Gustavo Petricioli, the new Finance Minister.

In a long communique detailing Mexico's "new and firm position" – which does not differ at all from what the Government has been saying for the past five months – the Treasury says the Mexican proposals were received "with interest and understanding on basics" by US and multinational financial authorities.

The proposals state that:

● Any solution to the new debt crisis must leave a margin for growth of 3 to 4 per cent of gross domestic product in 1987–88;

● Agreement must include not only new credit but concessions from creditors which reduce the debt service burden;

● Though Mexico would continue efforts to reform the structure of its economy and public sector, "an additional analysis of the budget deficit which discounts the inflationary impact of interest rates is needed" in order to measure real adjustments already achieved.

Talks leading up to the deadline will link Mexico's financial requirements up to 1988 and the size of its budget deficit with the size of its oil income during the period.

The Treasury adds that it raised the possibility of crediting dollar escrow accounts inside Mexico, in order formally to comply with payments schedules while protecting foreign exchange reserves until a new agreement is reached.

"Great disquiet" had arisen over the size of an interest payment due yesterday of about $600m. This had incorrectly been reported in the press as $1.6bn. The confusion had arisen, the communique says, because it was "groundlessly" thought that a $950m principal payment originally rolled over after last September's earthquakes fell due now, when in fact the payment is deferred until October 1.

Wall St pair agree to repay insider profits

By Paul Taylor in New York

TWO leading merger and acquisition experts working for Wall Street firms yesterday agreed to pay back more than $3.5m after the US Securities and Exchange Commission accused them of joining Mr Dennis Levine in a massive insider trading scheme.

The two are Mr Robert Wilkis, aged 37, a former investment banker at Lazard Freres and until recently a vice-president of mergers and acquisitions at E. F. Hutton, and Mr Ira Sokolow, 32, a vice-president and mergers and acquisitions specialist at Shearson Lehman Brothers. Neither admitted nor denied any wrongdoing.

As part of the settlement of a civil suit brought against them, the two signed consent orders with the SEC. Mr Wilkis agreed to give up $3.3m, while Mr Sokolow promised to repay $210,000.

The settlement comes less than a month after Mr Levine, the 33 year old Wall Street investment banker at the centre of the biggest-ever insider trading scandal, agreed to give up $11.6m in alleged illegal share trading profits as part of a negotiated plea-bargaining agreement to settle charges brought by the SEC.

Mr Levine, a former senior mergers and acquisitions expert with the Wall Street firm of Drexel Burnham Lambert, pleaded guilty on June 5 to insider trading, perjury and tax evasion charges and, under the terms of a plea-bargaining agreement, agreed to co-operate with the continuing SEC investigation into the case.

The SEC had accused Mr Levine of making illegal stock trading profits totalling $12.6bn over a five-year period using non-public information.

Since then, Wall Street has been holding its breath to see whether Mr Levine's co-operation with the SEC led to further charges. Yesterday, ahead of the negotiated settlement, the SEC filed civil suits against both Mr Wilkis and Mr Sokolow and said the cases had been referred to the US Attorney's office in New York for possible criminal prosecution.

THE LEX COLUMN

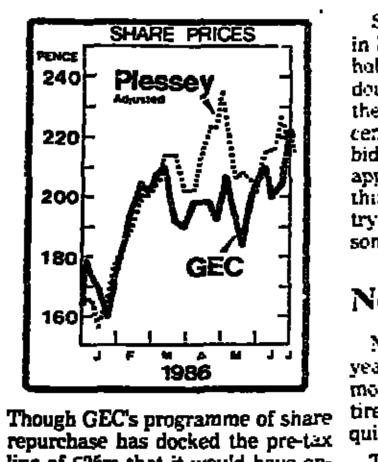
The General in retreat

Falling pre-tax profits at GEC have not been recorded in modern memory; not at the full-year, anyhow. If the £24m drop to £701m in the year to March does not mark the end of an epoch – the age of agglomeration, perhaps – it is not the most favourable setting for a renewed attack on Plessey. The GEC management may have survived the scrutiny of the Monopolies Commission, maybe even reconciled the differing objectives of the Department of Trade and Industry and the Ministry of Defence, let alone BT. But if it is going to make a successful bid for Plessey it must also convince the financial institutions that it has the answers to some intractable problems: a tighter market in defence goods and more aggressive pricing in telecommunications are only the most striking.

That may be an uphill struggle. Very large takeovers seem to have been dropping out of fashion in the months since GEC launched itself on a final consolidation of the national electronics industry, while Plessey has shown some unexpectedly fleet footwork in rebuilding its cash balances and – to some extent – its City of London reputation. And then GEC's actual results are decidely uninspiring, with static sales and operating profits.

Business may be satisfactory nearly everywhere, but GEC is still compelled to mention no fewer than five special cases where delivery patterns, lower orders or "unfavourable margins" have produced lower profits, as well as four where heavy provisions have been taken. The decline in telecommunications is unlikely to be transient unless the System X business can be unified with that of Plessey, and the absence of any but the most pedestrian growth elsewhere is a worrying trend that even a successful takeover would do little to arrest.

The one area where GEC's record is almost as impressive as ever is in cash generation. Although its own-account spending on research and developement has accelerated over the past two years – at the 1983 level of spending, these pre-tax profits would be roughly £100m higher – net cash and investments still rose by £118m on the year. But even if GEC argues that profits on Distillers shares are only an offset to the foreign exchange gains of the previous year, neither is a high-quality source of incremental profit.



Though GEC's programme of share repurchase has docked the pre-tax line of £25m that it would have enjoyed last year, the shrinking base of issued capital has kept earnings per share moving ahead of the basic attributable profit; at least these marginal tinkerings add up the right way. But something more is needed.

Scottish & Newcastle

Having spent a small fortune on hotel refurbishment, Scottish & Newcastle may be forgiven for striking up a lament of "Will ye no come back again" to American tourists in Britain. For it is the hotel business which has provided most of the sparkle in S&N's recent profits performance.

The shadow of terrorism means that, although profits of £75.1m for the year to April were bang in line, the shares were marked down 8p to 201p; most of these profits, after all, were booked before the raid on Tripoli. The outlook now is for the contribution from hotels to be static, with perhaps a modest benefit from the refurbished rooms that are now coming back on stream. Growth in the current year is mainly up to the beer.

With higher-margin take-home sales still growing apace and costs reduced by the Hollywood closure, profits are there if Mr Gulliver will allow them to be taken. Given a spot of loss elimination in wine wholesaling, a pre-tax figure of £85m looks feasible. Assuming that £2.3m of extraordinary bid expenses do not recur – perhaps an optimistic thought – that puts the shares on a prospective multiple of 10½, not cheap enough to convince the doubters. At bottom, S&N still needs a decent chain of pubs, as two unsuccessful bids confess.

S&N retains a 30 per cent stake in Matthew Brown but last year the holding costs were more than double the dividend income. No further shares can be bought until December, but it seems likely that the bid will be resumed. That may disappoint those commentators who think that S&N would do better to try to squeeze Courage out of Hanson Trust.

Northern Foods

Northern Foods enjoyed one fat year and five lean in the US commodity food sector, but it is now entirely rid of its ill-fated Bluebird acquisition.

The collapse in fourth-quarter profits from the residual businesses of processing pork and buying Danish ham in a weak currency has caused Northern at last to throw in the towel. If the US carpet care business can be sold, the American difficulties will be history: the captive relationship with McDonalds is a position Northern knows well from Marks and Spencer.

In the UK, the portfolio has been churned to the point where Northern has a north-country fastness in milk and is doing quite nicely in baking and meat. yesterday's figures, which showed a pre-tax 17 per cent advance (to £66m – $101m) despite Bluebird's Parthian shot, are evidence of this. Northern has become quite a safe investment.

To justify its premium rating, Northern's profits will have to grow faster than the expected sector average, or at about the recent rate. Growth of 15 per cent, say to £75m, will not provide much of a strain this year. The Express dairies and Bowyers should put in more than £5m, and a couple more million will be saved in the US. However, progress of this sort will become harder to generate from existing businesses with food price inflation falling: if there is volume to be gained in low-fat milk in the north, surely it must be at the expense of cream cakes.

The current year will show the extent to which Northern can add profits momentum through attacking costs – say, through its geographical consolidation in milk – and generate the cash in both the UK and the US to degear the balance-sheet and eke out internal growth through acquisition. US pig processors need not apply.

Deal sought on electronics

Continued from Page 1

the Buy American Act and controls over technology exports.

The statement falls short of suggesting explicitly that American companies should be denied the full benefits of a more open European market if the US resists EEC demands for reciprocity.

The six companies expressed concern that Europe was moving too slowly to apply open systems standards, which are based on internationally agreed specifications. The standards must be used as the basis for government procurement.

The companies said that open systems standards were not a protectionst device and were intended to create fair and open competition. They emphasised that it was important that IBM be involved in applying the standards.

Daimler-Benz names new directors

BY JONATHAN CARR IN FRANKFURT

THREE new members have been appointed with immediate effect to the executive board Daimler-Benz, West Germany's biggest industrial concern in sales terms, in a move to take account of the group's fast diversification into high-technology sectors.

The three are Mr Heinz Dürr, aged 52, chief executive of the AEG electricals concern; Mr Johann Schaeffler, 50, chief executive of the Dornier aerospace group, and Mr Hans Dinger, 59, head of the MTU engines company. All three also retain the top jobs in their respective concerns.

Since early last year Daimler-Benz has acquired full control of MTU and majority stakes in AEG and Dornier for around DM 2.6bn ($1.17bn). This year the consolidated group will have sales revenue of some DM 66bn – well ahead of the next biggest rivals Siemens (electricals) and Volkswagen (vehicles).

The acquisitions mean that Daimler has extended its range from that of a group concentrating on vehicle construction to one with a very broad range of products from satellites to domestic electrical appliances.

The increase in the size of the executive board is one step by Daimler to help integrate the new acquisitions into the group, and to facilitate co-operation and technology transfer between them.

The move is believed to have been one of several before the Daimler supervisory at its meeting in Stuttgart yesterday evening. Further details are likely to be announced at the annual shareholders' meeting today by the Daimler chief executive, Mr Werner Breitschwerdt.

One step believed to be in the immediate offing is the appointment of one executive board member for cars and another for commercial vehicles. For cars the appointee is expected to be Mr Werner Niefer, hitherto board member responsible for Daimler's overall production, and for commercial vehicles Mr Gerhard Liener, so far responsible for Daimler's subsidiaries.

Until now the Daimler board has been organised on functional, not divisional, lines – meaning members have had broad responsibility for production, sales finance, and so on, but not for specific product groups. This is now changing.

In other expected moves, Mr Breitschwerdt is likely to take over the leadership of the supervisory of MTU and Dornier – in addition to the chairmanship of the supervisory board at AEG which he already hold.

Moreover a special committee, made up of key Daimler executive board members, is expected to oversee co-operation between the different companies of the group and seek to avoid duplicated effort.

WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	27	81	Dubrovnik	F	23	73	Malta	–	–	–	Rhodes	S	25	77
Algiers	S	29	84	Edinburgh	S	21	70	Manchester	S	21	70	Rio de Jo	–	–	–
Amsterdam	S	23	82	Faro	S	28	82	Manila	C	30	86	Rome	F	25	77
Athens	S	27	81	Florence	–	–	–	Melbourne	R	9	48	Salzburg	S	25	77
Bahrain	S	33	91	Frankfurt	S	27	81	Mexico City	S	24	75	San Francisco	F	26	79
Bangkok	S	36	97	Funchal	C	21	70	Miami	S	27	81	Seoul	C	24	75
Barcelona	S	27	81	Geneva	S	27	81	Milan	S	27	81	Singapore	F	28	82
Beirut	S	22	72	Gibraltar	–	–	–	Montreal	S	16	61	Stockholm	S	26	79
Belfast	F	19	66	Glasgow	S	20	68	Moscow	F	16	61	Strasbourg	S	28	82
Belgrade	R	19	66	Guernsey	F	14	57	Munich	S	23	73	Sydney	C	15	59
Berlin	S	29	84	Helsinki	S	20	68	Nairobi	C	22	72	Taipei	S	35	95
Biarritz	F	22	72	H. Kong	S	32	90	Naples	F	29	84	Tangier	–	–	–
Bombay	F	30	86	Innsbruck	S	25	77	Nassau	C	33	91	Tel Aviv	S	27	81
Bordeaux	S	25	77	Inverness	S	21	70	New Delhi	F	26	79	Tenerife	S	24	75
Brussels	S	26	79	Islamabad	C	13	93	New York	S	19	66	Tokyo	R	26	79
Budapest	F	27	81	Istanbul	S	28	82	Nice	C	26	79	Toronto	F	14	57
B. Aires	C	13	55	Jakarta	C	32	90	Nicosia	S	34	93	Tunis	C	30	86
Cairo	S	30	86	Jersey	F	19	66	Oporto	S	23	73	Valencia	S	29	84
Cape Town	R	11	52	Jo'burg	S	17	63	Oslo	S	28	82	Venice	S	24	75
Caracas	C	26	79	Lima	C	18	64	Paris	S	24	75	Vienna	F	24	75
Casablanca	–	–	–	Lisbon	S	26	79	Peking	C	27	81	Warsaw	S	24	75
Chicago	R	16	61	London	S	24	75	Prague	F	25	77	Washington	R	21	70
Cologne	S	28	82	Los Angeles	F	18	91	Reykjavik	S	15	59	Zurich	S	25	77
Copenhagen	S	28	82	Luxembourg	S	25	77								
Corfu	C	21	70	Madrid	S	30	77								
Dallas	S	24	75	Majorca	F	28	86								
Dublin	C	16	61	Malaga	S	26	79								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Union leaders visit UK

Continued from Page 1

ing ovations from British NUM delegates as they spoke for the first time about conditions in South Africa since the declaration of a state of emergency and of the need for the West to impose economic sanctions.

On sanctions, Mr Ramaphosa told the conference: "Britain is the only country that is blocking, that is standing between us and our total liberation. If Britain were to agree to the proposals to go along with sanctions, a lot of pressure would be put on the South African regime and apartheid would start to crumble."

Although the British people were seen as fair, black people in South Africa now looked at Britain with great and growing suspicion, because of the opposition to sanctions of Mrs Margaret Thatcher, the Prime Minister. "It will continue to be so, because we believe that the British people as a nation have done nothing to assist us in attaining our liberation.

"When we have achieved our liberation, we will not forget what Mrs Thatcher is doing. We will not forget what Reagan is doing. We will always remember."

He acknowledged black people in South Africa might suffer if sanctions were imposed, but said that they were prepared to do so if necessary in order to bring about change.

Mr Ramaphosa reserved special criticism for the British TUC, which he said had been "vacillating" over South Africa.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday July 2 1986

UBS acquires control of Lugano-based bank

BY ALAN FRIEDMAN IN MILAN

THE ISTITUTO per le Opere di Religione (IOR), also known as the Vatican Bank, has sold off one of its biggest shareholding assets – 51 per cent control of the Lugano-based Banco di Roma per la Svizzera. The Rome-based Banco di Roma has at the same time sold off 24 per cent of its 49 per cent stake in the Lugano bank.

The buyer of these stakes is Union Bank of Switzerland (UBS), the Zurich-based bank which is one of Switzerland's big three. UBS was last night unwilling to disclose the price it paid to take control of the Lugano bank.

But 15 months ago, when Chase Manhattan expressed some interest in acquiring the Vatican holding, a figure of $100m for the 51 per cent stake was believed to have been discussed.

The Vatican Bank's sale of its shareholding comes two years after the IOR agreed to pay foreign bank creditors of the failed Banco Ambrosiano a total of $242.2m "in recognition of moral involvement" in the collapse of the late Mr Roberto Calvi's bank.

The Vatican Bank directly and indirectly owned 10 of the overseas "dummy" companies to which Ambrosiano lent $1.3bn.

The money which the Vatican is realising via the Lugano sale is expected to make up for liquidity gaps left by the Ambrosiano payment.

"I think you can assume that the sale will provide some cash which went to Ambrosiano creditors," said one banker in Italy who requested anonymity.

At the Vatican, a man who identified himself as secretary to Mr Luigi Mennini, managing director of the IOR, refused to discuss the sale to UBS or comment on whether the money was needed in the wake of the Ambrosiano payment.

Since 1974 the IOR and the state-owned Banco di Roma have been partners at the Banco di Roma per la Svizzera, the Vatican always holding 51 per cent and Banco di Roma the balance.

The Banco di Roma per la Svizzera last year had SFr 2.86bn ($1.68bn) of total assets, SFr 1.8bn of deposits and SFr 29.9m of net profit.

Its headquarters are in Lugano, where it employs 310 of its 370 staff. Some 50 employees are in Chiasso, the heavily developed banking village just a mile north of the Italian-Swiss border at Como.

The Banco di Roma, which is controlled by Italy's IRI state holding group, has held its 49 per cent in the Lugano bank through Banco di Roma (Luxembourg). The Banco di Roma retains 25 per cent of the Lugano bank and a presence on the (now) UBS-controlled board.

The Banco di Roma also announced plans to raise L560bn through a rights issue on the Milan bourse in September. In Rome, a spokesman indicated that the state share of the bank could drop towards 51 per cent because of the partial privatisation share issue.

Coca-Cola to buy its bottler for $1.4bn

By Paul Taylor in New York

COCA-COLA, the leading US soft drinks group, yesterday agreed to acquire the John. T. Lupton (JTL) Coca-Cola bottling operations – its largest franchised bottler – for $1.4bn.

The surprise deal comes just two weeks after negotiations between the two groups broke down and Coca-Cola announced plans to pay $1bn to acquire another of its major franchise bottlers from BCI Holdings, the company that acquired Beatrice in a $6.2bn leveraged buy-out deal earlier this year.

Yesterday Coca-Cola indicated that it was actively considering spinning off a new independent Coca-Cola bottling company which would combine the bottling operations it is acquiring from JTL and BCI Holdings with those bottling operations it already owns. Such a company would control bottling of about 21 per cent of Coca-Cola's domestic sales volume.

The privately owned JTL bottling operations, controlled by Mr Lupton and his family and founded in 1896, include those in Arizona, Colorado, Texas and Florida and account for about 13 per cent of Coca-Cola's domestic sales volume.

Talks between Tennessee-based JTL and Coca-Cola were called off in mid-June at the same time that *Coca-Cola announced plans to* acquire the Beatrice bottling business. However, yesterday JTL said that, after the talks were ended, "the Lupton family considered a number of alternatives and decided that the sale of our bottling interests to Coca-Cola best accomplished our objectives. We asked that talks be reopened and are pleased that this letter of intent is the result."

FRENCH GROUP SEES PRESTIGE IN SCENTS

Perfume plan for Louis Vuitton

BY DAVID MARSH IN PARIS

LOUIS VUITTON, the family-controlled French company which sells high-quality luggage and leather goods worldwide, is making a FFr 800m ($116m) rights issue to back a planned move into the perfume sector.

Announcing what adds up to the most important diversification plan in the company's 130-year history, Mr Henry Recamier, chairman, said Louis Vuitton was in "conversations" about the possible purchase of a perfume and toilet-water business, which he hoped would be concluded within the next few months.

Although he hinted that the target was a French company, he declined to give further details. Even if it failed to make an outright perfume acquisition, Vuitton planned to move into this sector by building up perfume activities on its own.

After the FFr 800m one-for-five rights issue, planned to be launched from next week, Louis Vuitton would have a "war chest" of available funds of about FFr 1.4bn with which to finance acquisitions.

Counting unused borrowing facilities – the company currently has low longer-term debts – Mr Racamier estimated the company could mobilise a total FFr 3bn to back its expansion plans.

The move into perfumes would form "part of the panoply of a prestige marque," Mr Racamier said. The step follows measures already taken by Vuitton over the last year to broaden its business, above all by setting up a subsidiary to market internationally fashion leatherware produced by Loewe, the Spanish leather-maker.

Following a line taken by several other French companies in luxury businesses such as champagne, perfumes and fashions, Mr Racamier said Louis Vuitton aimed to move into other businesses consistent with its high-quality image and which could be built up through its international marketing network.

"The public expects that a prestige house also has activities in perfume and toilet water," he said.

The rights issue will be made at a price of FFr 750 for each of the roughly 1.1m shares to be issued. The company's shares, introduced on the Paris bourse and the over-the-counter New York market in June 1984, have recently been trading at around FFr 1,100.

Mr Racamier voiced confidence about this year's profits outlook following a 26 per cent increase in 1985 net consolidated earnings (after taking account of extraordinary bourse introduction costs which depressed the 1984 result).

Both profit and turnover were likely to rise by between 15 and 20 per cent this year despite the dampening effect on the company's accounts of the sharp fall in the dollar against the franc, Mr Racamier said.

Including duty-free sales in France, about 80 per cent of the company's sales – totalling FFr 1.4bn last year – are made outside France, with 25 per cent stemming from Japan.

Last year, Louis Vuitton group profit came to FFr 269.5m, with attributable profit after deducting minority interests FFr 225.2m.

Mr Racamier said that this year's decline in the number of US tourists visiting Europe – where the richer of them like to indulge their weakness for Louis Vuitton luggage – was having an effect on sales, along with the fall in the dollar.

None the less, volume sales in the US had risen 38 per cent in the first five months of the year. Consolidated sales in the first five months rose 12.6 per cent to FFr 591.3m, even after the effect of the fall in the dollar and currencies linked to it in the Far East.

Mr Racamier said that the company's high profit-turnover ratio – 19 per cent overall last year and 16 per cent for attributable profit – was likely to remain steady.

Court approves Continental Airlines' reorganisation plan

BY WILLIAM HALL IN NEW YORK

A US court has approved a $925m reorganisation plan for Continental Airlines under which its creditors will get 100 cents in the dollar, ending one of the most costly and bitter bankruptcy proceedings in US history.

Continental filed for court protection under Chapter 11 of the bankruptcy code in September 1983, in a move which caused great controversy because the airline's management tore up its union agreements and after a brief interval resumed operations as a cut-price, low-cost operator.

Although Continental's strategy in seeking the protection of the bankruptcy courts has been heavily criticised, it has enabled the company to reorganise its finances without incurring huge losses for its creditors.

When Continental filed for bankruptcy, it owed over $1bn and reported a net loss of $218.4m on sales of $1.1bn in 1983. Last year by contrast, the group earned $80.9m on sales of $1.7bn and has reduced its debts to $924m.

Under the reorganisation plan, which will become effective in 60 days' time, Continental will make initial payments to creditors of $142m, and the balance will be paid with interest over a three to 10-year period. The plan does not dilute shareholders' equity since it does not include exchanging any debt for equity.

Since September 1983, Continental has grown considerably and expects to fly 2.91bn available seat miles this month compared with 1.48bn in the months before it was forced into the bankruptcy courts.

Judge T. Glover Roberts, who signed the confirmation order, said that it was the intent of the US Congress for Chapter 11 "to give a debtor the opportunity to reorganise, pay its debts and keep people from losing their jobs. In terms of rehabilitation and reorganisation, this should be a textbook example of how to do it. When it came together, it was really an extraordinary reorganisation."

ITT anxious for French decision

BY OUR NEW YORK STAFF

ITT, the US-based multinational conglomerate, is believed to be pressing the French Government for an early decision on the planned telecommunications equipment joint-venture deal with Compagnie Générale d'Electricité (CGE) and other European partners.

At the same time Wall Street analysts say Northern Telecom, the Canadian-based telecommunications group, has emerged as a viable alternative buyer for ITT's telecommunications business.

The French Government has apparently asked ITT for a 30-day exclusive option on the deal under which the US-based conglomerate's substantial European and US telephone equipment business, which had sales last year of about $4.6bn, would be folded into a new European joint-venture telecommunications company in which ITT would have about a 30 per cent stake.

However, ITT is believed to have told the French Government that it would like a decision of the proposal – or at least a clear indication that the chances of completing the deal appear good – by the end of next week.

Further talks between the two sides could take place this week when French officials are expected to begin arriving in New York for the Statue of Liberty weekend centenary celebrations.

Southwestern Bell in $1.65bn purchase

BY OUR NEW YORK STAFF

SOUTHWESTERN BELL, one of the regional telephone companies formed from the breakup of American Telephone and Telegraph (AT&T), is paying $1.65bn for Metromedia's cellular mobile telephone and paging businesses.

The properties involved in the acquisition include ownership interests held by Metromedia in nine cellular telephone systems, including six in the 10 largest markets in the US. Southwestern Bell is also acquiring paging services in 19 metropolitan areas, including eight of the 10 largest in the US.

Mr Zane E. Barnes, chief executive of Southwestern Bell, says the move is "the most significant step we have taken thus far to expand into national and international markets."

In the last couple of years Southwestern Bell has launched its own mobile cellular phone systems in the south, and the addition of the Metromedia operations will mean that it will be able to provide mobile telephone services in markets with a combined population of over 45m people.

● Metromedia has signed a definitive agreement with Metropolitan Broadcasting for the sale of nine radio stations for $285m.

The deal effectively ends Metromedia's role in the broadcasting business.

Laly reports NKr 417m loss

BY FLEMING DAHL IN OSLO

LALY, the Norwegian investment firm which for some weeks has fought against bankruptcy, reported a 1985 loss of NKr 417m ($55.6m). Talks with creditors are still going on, and it is uncertain whether Laly, headed by the brothers Arne and Wilhelm Blystadt who are well known in Norway for their corporate raiding activities, will survive.

Laly, a shipping firm taken over by the Blystads last year and turned into a vehicle for their investment plans, made severe losses in an unsuccessful attempt to acquire Kosmos, a leading Norwegian shipping, offshore and industrial group. The attempt spanned months but collapsed recently when Laly could no longer service its debts.

Considerable losses were also incurred when Trosvik, the Norwegian shipbuilding and offshore fabricating yard, had to stop the building of an oil drilling rig ordered last year by Laly, which recently proved unable to finance the project.

Laly's annual general meeting, originally scheduled for June 30, has been postponed until July 16.

● BERGESEN, the Norwegion shipping and industrial group, saw gross operating income fall to NKr 596.6m in the first four months of this year, from NKr 617.4m in the same period of last year. The group said this was a result of currency losses.

Pre-tax profits fell to NKr 74.6m, down by NKr 10m. Shipping is the most important sphere of activity within the group, which said that developments in freight markets and in the exchange rate against the US dollar would influence annual profits heavily.

Fermenta in offer for US majority stake

By Our Financial Staff

FERMENTA, the Swedish biotechnology and chemicals group which has been hit by a recent management crisis, is to make a $17.4m tender offer for a controlling stake in a US animal health-care group.

Fermenta is to bid $4 a share for 51 per cent of Techamerica Group, a Kansas-based company which ran up losses in 1985 and has stayed heavily loss-making for the first quarter of 1986.

Techamerica makes animal drugs and a broad range of animal care products. It will more than double the size of Fermenta's present US animal care operations. The Swedish group is confident of quickly returning Techamerica to profits.

For 1985 Techamerica incurred losses of $766,000 on sales of $35.5m. The opening quarter of this year has seen the net deficit rise to $2.46m on sales of $8.9m.

Occidental in oil and gas asset sale

By Our New York Staff

APACHE PETROLEUM Corporation, Apache Corporation and Davis Oil Company have completed the purchase of certain oil and gas assets of Occidental Petroleum for $444m.

The deal was first announced in May, and the price is somewhat less than the $500m originally envisaged because of a disagreement over taxes.

Davis Oil, a Denver-based oil company controlled by Mr Marvin Davis, a well known independent oil man, will acquire 50 per cent of the properties, and Apache Petroleum, a limited oil and gas partnership, will own 45 per cent. Apache Corporation will own the remaining 5 per cent

CSFB ready to move into the Netherlands

BY PETER MONTAGNON IN LONDON

CREDIT SUISSE First Boston (CSFB), the London-based investment bank, is to establish a presence in the Netherlands through the acquisition of the privately owned Bank Jonas & Kruseman.

The deal, which is still subject to formal approval by the Netherlands central bank and the Amsterdam Stock Exchange, will enable CSFB to lead Euroguilder bond issues for the first time, as well as to broaden its activities in the Dutch capital and equity markets.

The acquisition is "part of CSFB's strategy to have operating units in the major financial centres and those where capital markets have been liberalised, offering new opportunities for growth and integration within the international capital markets," CSFB said yesterday.

Bank Jonas & Kruseman, which posted pre-tax profits of Fl 3m ($1.2m) for 1985, predominantly trades with institutional investors. Its name will be changed to Credit Suisse First Boston Nederland and its business expanded though it will continue to be run by its existing directors.

CSFB's move into the Netherlands follows its acquisition of CSFB-Effektenbank in Germany where it is also developing a profile as a lead manager of issues on the local bond market. Though three Japanese securities houses have long been represented on the Dutch capital markets, other foreign investment banks have so far stayed away.

Earnings at ConAgra rise by 15%

By Our New York Staff

CONAGRA, a big diversified food processor based in Omaha, remains unaffected by the slump in the US farm belt and yesterday reported that its net income for the year ending May 25 had risen by 15 per cent to $105.3m – its 11th straight year of profits growth.

The group's sales increased by 7 per cent to $5.9bn, and earnings per share rose 15 per cent to $3.05. ConAgra's shares, which have performed strongly in recent years, gained $¼ to $59 in early trading yesterday.

ConAgra's prepared foods industry segment reported a 17 per cent rise in operating profits to $180.6m

INTL. COMPANIES & FINANCE

Lufthansa deficit rises sharply

BY OUR FINANCIAL STAFF

LUFTHANSA made a group loss of DM 215m ($98m) in the first four months of 1986, against losses of DM 28m in the same period of 1985. The airline attributed the deficit mainly to the dollar's fall. Lufthansa traditionally makes a loss in the winter months when demand is seasonally low.

However, Lufthansa, which is 82 per cent owned by the federal Government, still expects to make a profit this year. The airline was profitable in May and had entered what was traditionally the strongest part of the financial year, it said.

In 1985 Lufthansa's group net profit fell to DM 66.4m from DM 165m in 1984. It made a DM 53.9m loss on flight operations, against a profit of DM 509m in 1984.

Revenue-load factors fell to 62.9 per cent in the first four months from 63.2 per cent in the 1985 period. Revenues from flights to and from the Middle East fell 35 per cent.

Revenue from Africa was down 11 per cent against January-April 1985, due partly to the unrest in South Africa, while North American revenue fell 10 per cent

Loral lifts offer for Sanders to $980m

By William Hall in New York

LORAL, the US defence electronics group, has increased its offer to $980m for Sanders Associates, its bigger but less profitable rival which spurned its initial approach last week.

Loral began a cash tender offer at $50 a share for 10m Sanders shares yesterday. Loral already owns 600,000 shares, and the 10m shares in the tender offer would give it more than 50 per cent of Sanders' equity. Loral will pay for the balance of the shares with Loral equity securities equal to $50 a share.

Sanders declined to comment on the announcement of the tender offer. It said it only learned of the offer from the newswires.

Lease Plan profits up 15%

By Our Financial Staff

LEASE PLAN, the biggest Dutch leasing group and number six in vehicle leasing in Europe, reports an increase of 15 per cent to Fl 15m ($5.06m) in pre-tax profits for 1985.

The company, which is controlled by a number of Dutch institutional shareholders, including the ABN banking group with a 40 per cent stake, achieved the result on a lease portfolio of Fl 1.16bn.

The group's UK operation, Lease Plan UK, contributed around £500,000 ($700,000) to the year's pre-tax profits

Euromarket confusion on Australia's tax change

BY ALEXANDER NICOLL

THE Australian Government yesterday threw the Euromarkets into confusion with an *announcement that exemption* from withholding tax on foreign borrowings by most Australian *entities would be removed.*

Mr Paul Keating, Federal Treasurer, took the step as part of a tax package which also cleared the way for the creation of offshore banking units in Australia. It has still to become law, but the exemption from withholding tax on foreign borrowing was effectively lifted from midnight last night, Australian time.

Bankers said the move was apparently designed to brake the fast pace of borrowing abroad and would cause Australian borrowers, which have been making extensive use of foreign markets, to re-think their strategies. Expectations that it will put upward pressure *on Australian domestic interest* rates were reflected yesterday in a 0.4 point rise in yields, and the Australian dollar weakened in currency markets.

The measure will affect Eurobond issues in Australian dollars, bond issues abroad in all currencies by Australian borrowers, and Euronote and commercial paper programmes of Australian borrowers. It will *not apply to borrowings by the* Commonwealth of Australia itself, nor to issues already in *the market, nor to paper issued* by non-residents to non-residents.

But it will apply to rollovers or new issues in existing programmes. There is uncertainty in the market as to how exactly it will affect swap arrangements and warrants.

The expectation in the Eurobond market was that new issues by Australian borrowers would stop temporarily, and that foreign borrowers would not tap the Australian dollar sector for the time being because there would be an absence of swap counterparties.

But the tax change was unlikely to stifle the markets completely, bankers said, given the need for Australian borrowers to fund their requirements, the relatively small size of the domestic market, and the likely rise in domestic funding costs. It was still possible that swap opportunities would open up, they said.

In the secondary market for Australian dollar bonds, some experts were predicting that prices would actually rise over time on lack of new supply.

Yesterday's initial shock produced a general fall-off in trading. Some houses stopped *making prices although* the leaders in the field continued to do so. Prices generally fell about ½ point although moves were erratic.

Signing of a A$75m bond issue by Commonwealth Bank of Australia, due today, has been postponed by lead manager Orion Royal Bank pending clarification of the new tax limits.

Two Australian issuers, however, came to the market with *US dollar denominated floating*-rate notes yesterday in an effort to beat the deadline. *State Bank of Victoria, with a* state guarantee, made a $300m 10-year issue at six-month London interbank bid rates, with lead manager Merrill Lynch arranging the subscription signing yesterday although payment will be in two weeks.

Bankers Trust Australia issued a $200m FRN and arranged payment yesterday, with the first coupon date on July 14. The issue is for seven years at 10 basis points over Libor, with a price of 100.1. Bankers Trust itself was lead manager.

Deutsche Bank takes the lead

BY ALEXANDER NICOLL

DEUTSCHE BANK topped the chart of lead managers as new issue volume in the Eurobond market surged to a record $93.4bn in the first half of 1986, according to data compiled in New York by IDD Information Services.

Deutsche Bank, which moved ahead of Credit Suisse First Boston as the top book runner in the first quarter, just managed to hold on to the top position for the six months, with an 8.5 per cent market share compared with 8.4 per cent for CSFB. In the whole of 1985, CSFB's share was 14.3 per cent and Deutsche's 5.8 per cent.

Closing on them, however, are the Japanese securities houses which have recorded impressive gains. Nomura comes third with a 7.5 per cent market share, up from 3.6 per cent last year, and Daiwa and Nikko have also risen into the top ten. *Their gains have been at the* expense of some US houses, with Merrill Lynch dropping from second place last year to ninth in the first half of 1986, Morgan Guaranty falling from third to seventh, and Goldman Sachs from seventh to thirteenth.

The first-half new issue volume compared with 1985's record annual amount of $134.6bn, and reflects the rush to bring out issues as interest rates have continued to trend downwards.

OECD survey identifies changing trend in borrowing **Peter Montagnon reports**

Golden age of capital markets begins to fade

BANKERS in the international capital market have been so long accustomed to seeing their *business on a rising trend that* it has become hard to imagine that things could ever change. Today, *however, the Organisation* for Economic Cooperation and Development (OECD) cast a *dampener on this characteristic* optimism with a report suggesting that net new business may *be* particularly moderate in 1986.

"The international capital markets may have entered a phase of more subdued growth relative to the strong expansion recorded since early 1984," the OECD says in Financial Market Trends, its regular publication covering the first half of this year.

Moreover, it goes on to warn of the possibility of further significant structural changes in the near term future. The international bond markets, which have born the brunt of the overall business expansion, could decline in importance, relative to the fast-growing Eurocommercial paper sector.

Taking the flow of business as a whole, the OECD notes that there are several clear reasons why net demand for international credit should be falling. Western industrial countries are enjoying considerable benefits *from the slide in* imported energy costs, which is feeding through to their balance *of payments. This has prompted* a number to prepay a substantial portion of their external *debt, reducing the demand for* credit at a time when oil exporters have not stepped up *borrowing significantly.* Developing countries which are largely excluded from international markets and East European countries, though borrowing more, seem to be *switching* attention away from longer-term financial markets to trade-related bank credit.

So *far this year gross borrowing* on international capital markets has increased by a *further 10* per cent to an annualised total of some $282bn. But this is below the 30 per *cent growth rate seen in 1985* and has been sustained by a particularly heavy spate of *borrowings designed to refinance* older debt at lower cost.

In the first five months of this year such refinancing in the international capital market totalled some $31bn, compared with $78.2bn for the whole of 1985. The OECD says, however, that this trend, which has particularly helped sustain activity on the international bond market in 1986 shows signs of levelling off.

Bankers in the syndicated-*loan and Euronote facility* market will not need to be told by the OECD that their *particular sectors are in the* doldrums. Activity in syndicated loans is running at *around $35bn to $40bn* a year, its lowest level since 1977, while new Euronote facilities

BORROWING IN INTERNATIONAL CAPITAL MARKETS
($ billion)

	1983	1984	1985	1986*
Floating-rate bonds	19.5	38.2	58.4	30.8
Other bonds	57.6	73.3	109.3	191.1
Syndicated loans	67.2	57.0	42.0	37.0
Euronote facilities	9.5	28.8	46.8	23.0
Total	153.8	197.3	256.5	281.9

*Source: OECD. *January/May totals at annual rate*

are running at an annual rate *of just $23bn, less than half* last year's level. What has been less obvious, however, are the *clouds hanging over the international* bond markets.

Superficially the figures look extremely good with gross new international bond issues rising 32 per cent to a record $220bn annual rate so far in 1986. This is despite the poor performance of the floating-rate note market where activity has virtually halved since 1985. But what has sustained activity above all has been the rush of new fixed-rate borrowings as interest *rates fell early in the year.*

Issues of fixed-rate bonds rose by 73 per cent on 1985 *while equity-related issues* advanced by 77 per cent on the back of the strong performance *recorded by most stock* exchanges. To a large degree, however, this activity was itself motivated by early refinancing *of previous issues which could* result in savings to borrowers of some 5 to 6 per cent.

Now, the OECD says, investors in the international bond markets have become more selective as the market has become less buoyant. Though there is no shortage of investible funds, there are considerable uncertainties with regard to the future direction of both interest rates and exchange rates.

In some respects, the OECD says, the international capital markets are better placed than *ever to cope with this degree* of uncertainty. Thanks to the development of debt swap techniques, the international capital markets can now offer investors a much wider range *of instruments.*

The "big five" currencies—dollars, D-marks, yen, Swiss *francs and sterling*—still account for the bulk of all borrowing in the international bond market, but their share has been falling. In what is probably a lasting and significant change, the share of other currencies in the international bond market has risen to about *13 to 14 per cent over the last* 18 months compared with its traditional level of 6 to 8 per cent.

Yet the uncertainty in the fixed-rate bond market still has *two potential consequences.* First it reduces the scope for further refinancing exercises, *exacerbating a trend already in* evidence as the dwindling number of bonds still outstanding with call provisions in 1986. Second it raises the possibility that the market could shift its attention away from fixed-rate bonds in a further wave of structural change.

"Future months could witness the development of a broadly-based and more active commercial paper market in Europe," the OECD concludes.

Guinness links redemption of $100m bond to NYSE

BY CLARE PEARSON

GUINNESS, the UK brewing and retail group, yesterday raised $100m debt in the Eurobond market via a bond with its redemption amount linked directly to the performance of the New York Stock Exchange.

The issue, which should appeal especially to retail investors in the *Far East, gives* the holder an opportunity to take a three-year view on the performance of the NYSE Composite Index with no downside risk, lead-manager Nomura International said.

The investor is guaranteed redemption at par as a minimum, but will also receive a further premium if the index is above the strike rate of 166 at redemption. The index yesterday was at 144, but if at redemption date it is at 300, the holder of a $10,000 bond will receive $18,072.29.

According to Nomura's calculations, *the average dividend yield on New York traded* stocks is between 3.5 and 4 per cent. Investors in Guinness's bond receive 3 per cent over the next three years, but have hedged their potential capital *loss.*

Through a swap, Guinness has freed itself from exposure to *the variable redemption risk* while gaining an all-in-cost of funds at more than 40 basis *points below London interbank* offered rate, Guinness said.

This is the second time that Nomura has arranged a bond of this type, the first being for Mitsui.

Other UK borrowers were active in the Eurobond market yesterday.

Alliance and Leicester launched its second sterling issue in the last week, this time through Citicorp. The UK building society obtained £75m five-year fixed rate debt, which will be swapped into floating-*rate funds.* The bond pays interest at 9¼ per cent and is priced at 100¼.

Morgan Crucible the hi-technology industrial materials company launched a $20m *equity warrants deal through* Morgan Stanley. The five-year bond, with a coupon of 9½ per *cent was priced at 116.7. It has* 4,462m warrants attached to subscribe for shares at £3.01 *each, against a share price* yesterday of £3. Morgan Stanley reported strong demand *for the warrants.*

Three borrowers launched debt into the dollar fixed-rate market, which traded thinly but saw selective retail interest yesterday. Monday's seven-year $150m deal for Industrial Bank of Japan traded within fees.

Deutsche Bank Capital Markets launched a $110m bond for Deutsche Bank, its parent. The 12-year deal pays interest at 8 per cent and is priced at 100¼. This gave a yield spread over US Treasury bonds at issue of 85 basis points. Proceeds will be swapped.

Merrill Lynch launched a $50m 10-year 8¼ per cent bond for Japan Leasing, guaranteed by Long-Term Credit Bank of Japan. The deal was priced at 101½. Meanwhile Nomura International issued a $100m bond for Japanese borrower Chugoku Electric. The bond has a seven-year life and coupon of 8¼ per cent. Issue price was 101¼.

The D-Mark market ticked up about ¼ point in price in fairly high volume. This was helped by the vitality of New York markets and an easier dollar.

Deutsche Bank launched a DM 500m bond for the World Bank, which met with an enthusiastic response. The 10-year bond pays a 6 per cent coupon and is priced at 99¼. Trading levels slightly below issue price were quoted.

Lindt, the Swiss chocolate manufacturer, tapped the market for the first time through a deal for its British Virgin Islands subsidiary. The DM 60m seven-year bond has a coupon of 2 per cent and is priced at par. It has equity warrants attached, exercisable for five years into bearer participation certificates of Lindt. The warrants are exercisable at SFr 2300, the closing price yesterday. The bond traded well above its par issue price.

Norddeutsche Landesbank Girozentrale issued warrants into debt. There are 200,000 warrants which are exercisable into 10-year 6¾ per cent bond between 24 July this year and December 1988.

The Swiss franc market saw low turnover but some dealers detected a slightly firmer undertone.

Two FFr 500m issues head list for July

By Our Euromarkets Staff

SUMITOMO Corporation of Japan and Mortgage Bank of Denmark are likely to raise *around FFr 500m* each in Euro French francs this month, French bankers said *following a meeting with the* Treasury.

Société Générale said yesterday that it will be leading the Sumitomo deal.

An undisclosed French state-owned industry, issuing without a government guarantee, is also expected to tap the market in July.

An equity-linked bond may also be launched. There was speculation that this may be for Ajinomoto, the Japanese food processing company, which has been expected to borrow in this market for some time.

French bankers said they have decided to moderate the flow of new deals in the sector, since the Eurobond market as a whole is overloaded with paper. In June, five issues were launched raising a total of FFr 2.7bn, and the uly total is not likely to exceed this.

Monday's late addition to the June calendar—a FFr 750m 8½ per cent seven-year bond for Michelin—was trading yesterday at a discount to issue price of 1¼ per cent *on the bid side.*

Private sector help at Japan's pension fund

By Yoko Shibata in Tokyo

PENSION Fund Welfare Service Public Corporation (PWSPC), Japan's public pension fund management concern has for the first time asked private institutions to manage a portion of its funds.

It is consigning Y300bn ($1.8bn) worth of public funds to the country's eight *trust* banks. Of this total Y200bn was handed over on June 30 and the remainder will be paid in September.

Initially, there is to be no participation by the newly *established foreign trust* banks, although the Ministry of Finance says it is *considering opening public fund management* further. The PWSPC is also anxious to see the track record *established* by the foreign institutions

Of the initial allocation, 19 per cent each will go to Mitsubishi Trust and Sumitomo Trust, 14 per cent for Yasuda and Mitsui, 13.5 per cent for Toyo, 11.5 per cent to Daiwa Bank, 4 per cent to Chuo, and 3 per cent for Nippon Trust and Banking.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on July 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes on day +0¼ on week +¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes on day +0.08 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Recession hits results at Singapore drinks groups

BY OUR FINANCIAL STAFF

TWO LEADING groups in Singapore's food and beverage sector have reported results for their latest trading periods which, while showing greater buoyancy than some industrial companies in the island state, still reflect the adverse effect of the regional recession on consumer spending.

Fraser and Neave (F&N), the soft drinks manufacturer, showed a 10.9 per cent dip in net profits to S$16.2m (US$7.4m) in the six months to March. Malayan Breweries, its associate, managed to push its after-tax result 6.6 per cent higher to S$24.34m for its March first-half.

F&N, which has a March year-end, also reported full-year net earnings of C$31.4m, down 11.7 per cent, on turnover ahead 6.5 per cent at S$257.4m.

Malayan Breweries, which suffered a 4.5 per cent dip in six-month sales to S$268.95m, said its earnings drew benefit from the reduction in Singapore corporate tax to 33 per cent from 40 per cent—trading profits at S$30.25m were 3 per cent lower.

For F&N, however, a reduced amount of tax losses available from other associates pushed the overall group taxation bill up 2.7 per cent to S$20m. Nor could it repeat the substantial extraordinary gains made from asset sales the previous year, leaving attributable earnings down 46.9 per cent at S$32m.

The group pointed a "more cautious" consumer spending environment during the year but said it held a "warily optimistic view for some improvement in profitability" in 1986-1987, with some signs of an economic upturn.

F&N has the local bottling franchise for Coco-Cola as well as producing its own products, while Malayan Breweries has a tie-up with Heineken of the Netherlands. Together the two Singapore groups are currently investing some S$160m in new facilities aimed at increasing exports.

Trading houses to set up KDD rival

By Yoko Shibata in Tokyo

FIVE OF Japan's leading trading houses are spearheading the launch of a research company intended to pave the way for a proposed rival to Kokusai Denshin Denwa (KDD) once the country's international telecommunications links are opened to competition.

The five are Mitsubishi, Mitsui, Sumitomo, Marubeni and Nissho Iwai. They are joined in the venture by Matsushita Electric Industrial, the consumer electronics and semiconductor maker, and Bank of Tokyo.

The Japanese Ministry of Posts and Telecommunications has indicated, however, that it is likely to approve only one new entrant into KDD's market. The grouping announced yesterday will thus vie directly with a recently established venture drawing in Cable and Wireless of the UK and General Motors of the US, as well as Japan's Toyota.

A value of around Y300bn ($1.22bn) a year has been put on Japan's international telecommunications market.

The new company, to be called International Telecom Japan, is capitalised initially at just Y300m, with 18 per cent each provided by Mitsubishi, Mitsui, Sumitomo and Matsushita, 12 per cent each by Marubeni and Nissho Iwai and 4 per cent by the Bank of Tokyo. Japan Air Lines, the national flag carrier, is expected to join the project following consultation with the Transport Ministry.

Far East office for UK broker

BY CHRIS SHERWELL IN SINGAPORE

SAVORY MILLN, the London stockbroking house, is to open its first Far East office, in Singapore, next week following approval from the Monetary Authority of Singapore, the island state's regulatory agency.

The firm's arrival coincides with signs that the local stock market is off the sixyear lows which it hit earlier this year as a result of Singapore's weak economy, the collapse of several big companies, and the financial problems of local brokers.

"We want to put our toe in the water in the Far East," Mr Ricardo Beggs, head of Savory Milln's Singapore operation, said yesterday. "We have taken a contra-cyclical view of Singapore."

The firm selected Singapore instead of Hong Kong because of its strategic and geographical location as a link between London, where Savory Milln's Far East business is transacted, and its clients in Australia, New Zealand and Asia.

Until recently Savory Milln was majority-owned by Dow Financial Services, a unit of Dow Chemical of the US. The Royal Trust Company of Canada has now bought Dow Financial Services, and owns 72 per cent of Arbuthnot Savory Milln Holdings. This in turn owns 100 per cent of Savory Milln.

It is widely believed that the Monetary Authority gave the go-ahead to Savory Milln only after the takeover went through late last month. It is presumed that there was some reluctance to grant dealers' licences to a group whose ultimate parent was a chemical company.

Other British stockbrokers with a presence in Singapore include James Capel, now owned by Hongkong and Shanghai Banking Corporation; Hoare Govett, in which Security Pacific Bank of the US has a large stake; and Vickers da Costa, which in Asia is majority-owned by Citibank of the US.

Sealion Hotels chief quits

BY OUR SINGAPORE CORRESPONDENT

DATUK YAP YONG SEONG, the Malaysian businessman popularly known as Duta Yap, has stepped down as chairman and director of troubled Sealion Hotels, the Singapore quoted company which owns the Hyatt Regency Hotel.

The move, announced at the company's annual general meeting, concludes a shake-up initiated by the company's bank creditors in February, when two executives of Standard Chartered Bank were appointed to the board.

Sealion's problems arise from guarantees it gave for borrowings by Sealion Investments, an investment subsidiary which was put into receivership after its share dealings led to provisions of S$65.5m (US$29.9m) in Sealion Hotels' accounts.

The company has also mortgaged the hotel to the banks while the board looks for fresh equity investment. The alternative is to sell the hotel. At the meeting it was acknowledged that, in the current state of the hotel industry, it was difficult for the company to service its borrowings.

UTI to double unit sales

BY R. C. MURTHY IN BOMBAY

UNIT TRUST of India (UTI), the country's only investment trust, aims to double its unit sales in the current year, following a 17 per cent rise to Rs 8.85bn ($705.2m) in the year to June from Rs 7.56bn.

Mr M. J. Pherwani, chairman, says UTI will soon introduce for local investors a mutual fund of an estimated Rs 700m, the proceeds of which will be invested entirely in corporate equity. So far, most of the Rs 32.18bn resources of UTI have been invested in fixed-income bearing instruments. Its equity portfolio represents a little over 10 per cent.

India Fund, the first fund to manage international capital to be invested in Indian equity markets, will be launched on July 7. The units of £1 of the £60m fund will be issued at a premium of 5.25 per cent because of an enthusiastic response from institutional and individual investors in Europe and the US.

UTI announced a dividend of 14.75 per cent and a special bonus of 0.5 per cent, making a total of 15.25 per cent

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

MANY A romance has blossomed during a trip up that famous Paris landmark, the Eiffel Tower. But few have been as remarkable as the love affair which was sealed there on a snowy evening last November.

In the glittering Salle Gustave Eiffel, with its spectacular panorama of Paris, 150 chief executives from top French companies gathered at the feet of three of the world's leading management gurus: Tom Peters, co-author of *In Search of Excellence*, John Naisbitt, of *Megatrends* fame—each of them multi-million sellers—and Warren Bennis, whose *Leaders* has been one of the most influential business books of the past 18 months.

The three-hour meeting, on "Leadership in the Year 2000," was a brilliant marketing coup for InterEditions, the French publishing house whose astute translation and promotion of the three gurus, and a string of others—including William Ouchi (*Theory Z*) and Regis McKenna (*The Regis Touch*)—has done much to woo French executives away from their previous scepticism of American business concepts.

France's new love affair with American business gurus is no Gallic aberration. Since the European publication of *Excellence* in 1983-84, business books suddenly started to make frequent appearances in the non-fiction best-seller lists, alongside the European reading public's traditional fare of historical biography, sport and travel books.

Almost all the best-sellers are by Americans. In Britain, the current high flier is *Going for it!* Victor Kiam's inimitable account of how to be a successful salesman and entrepreneur. In West Germany, the smash hit is still Lee Iacocca's tale of dirty dealings in Detroit, translated as *Iacocca — an American Career*. Published in the spring last year, it has been in the Der Spiegel non-fiction top 10 without a break since September.

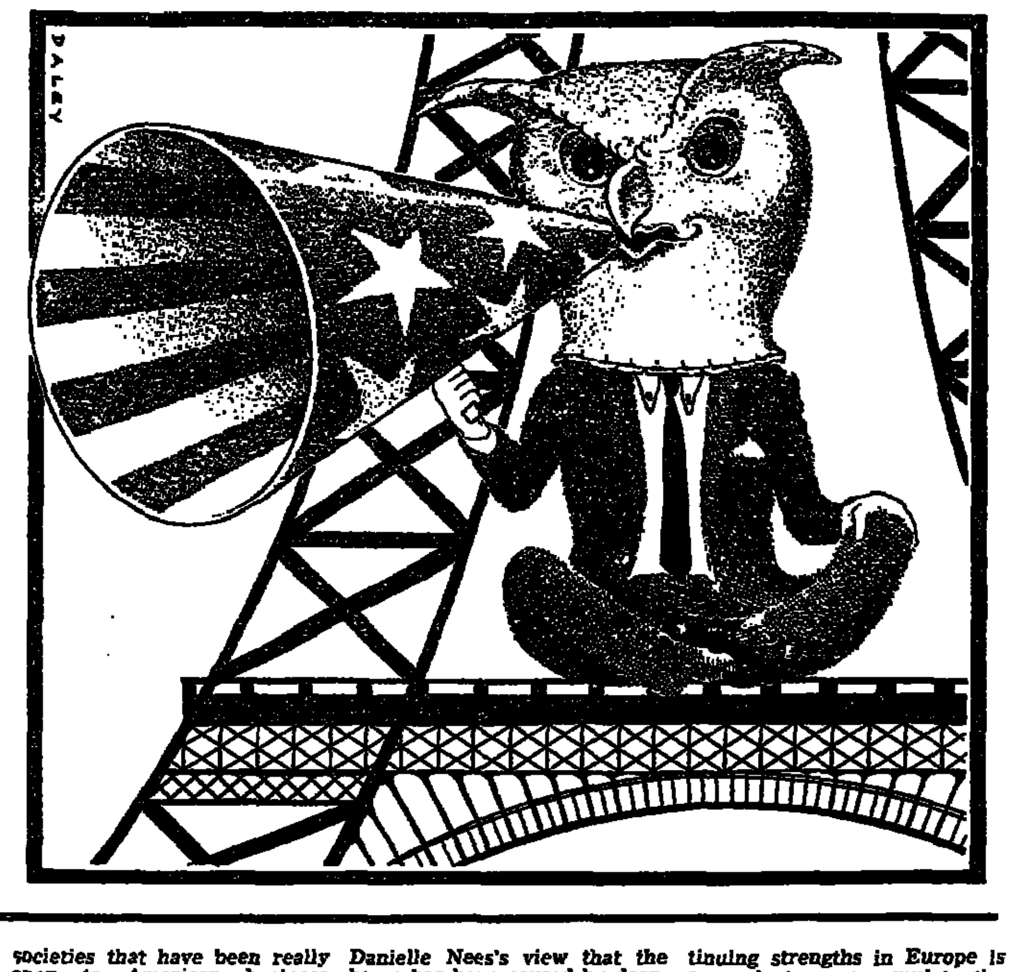
The boom may not be as gigantic as in the US, and Europeans are being much more choosy about which books they buy. Only the very best of the American oeuvres really do well, and the pattern varies according to national taste, and each publisher's effectiveness. Neither Iacocca nor Blanchard's *One Minute Manager* has been a real hit in France, for example — neither was published by InterEditions — and Iacocca's success in Germany eclipses its performance anywhere else in Europe. By the same token, *One Minute Manager* has sold far more copies in Britain than in Germany.

But boom there certainly is. Until four years ago, a business book was deemed a hit in France, Germany or the UK if it sold 5,000 copies in a year.

The guru factor

Europe warms to business punditry

In the second of a series, Christopher Lorenz assesses whether the boom in management book sales is more than just a passing fad



THROUGHOUT Europe the book that launched the business guru boom was "In Search of Excellence," by Tom Peters and Robert Waterman. The success of the French version "was especially spectacular — after all, it is not only a book on management but it is American," says Danielle Nees, its translator and publisher.

In just three years "Excellence" has sold over 100,000 copies in France. Mark McCormack's "What they don't teach you at Harvard Business School," published by Rivage, has achieved about 50,000 in two. Even Tom Peters's latest work, "Passion for Excellence," which has had a disappointing reception in the US, has become a French hit; published six months ago, its sales are running as high as did those of "Excellence" in its initial phase, according to Nees.

In West Germany, "Excellence" has sold even better than in France. The same is true of Britain, where hardback sales were disappointing but the paperback has been a smash hit. The book has been more successful still in relative terms in the Netherlands, Spain and Sweden, selling well over 30,000 copies in each. In some countries its bookshop sales (from which *the best-seller lists are compiled*) have been more than doubled by direct bulk orders from companies. In Germany several bought over 3,000 copies each.

The guru phenomenon has inevitably prompted a bevy of general publishers to move into the market for business books—a market which they previously shunned as too specialised.

Among top British publishers, Collins is reputed to have paid £70,000 for the forthcoming biography of *Akio Morita, the founder of Sony*, and to have stumped up a six-figure sum for two unwritten books by Sir John Harvey-Jones, the outgoing chairman of ICI. Until *recently a top-notch advance* for a business book was £5,000.

There were exceptions to this rule, such as *The Peter Principle* and Robert Townsend's *Up The Organisation*. But such blockbusters were very rare indeed. Today success is regularly measured at between 15,000 and 30,000 copies (see inset).

The European boom is partly a function of the massive US supply—what Paul Chapman of Harper and Row calls "US follow-through." But it appears to be very much more than that.

Though some European publishers, consultants and academics are still sceptical, many of them consider it reflects the belated emergence of an "enterprise culture" in societies such as France and Britain that have always been hostile to business. In Germany, where business has always been socially more acceptable, the phenomenon is most commonly attributed to more pragmatic motives, notably what Wilhelm Rall of McKinsey and Co calls "a new feeling of insecurity about what are the right management methods to apply. In the past, when everyone was very successful, there was no need for external role models like Iacocca. Now there most definitely is."

The same applies throughout Europe. "With business exposed, managers need heroes—they haven't had any," says Dean Berry, an academic and consultant with considerable experience in several European countries, as well as the US.

Danielle Nees, business publisher of InterEditions and a former business school academic, is convinced that, at least in France, the boom will not prove to be just another publishing fad, like celebrity keep-fit manuals and high-fibre diets. She detects "a major change in French culture — there is a new interest in management, and money is *something you can talk about* today. Not only are managers reading more about the outside world, but the layman is also getting interested. There are now management hobbyists, just like computer hobbyists."

Gérard Thulliez, McKinsey's top man in France, agrees. "There is a greater willingness to treat business as something *respectable, and essential to the* life of the country. There is also more readiness to learn lessons from others, instead of making judgments about them, which is the natural tendency our our civilisation."

But Paul Evans, professor of organisational behaviour at Insead, the European business school based just outside Paris, sounds a note of caution. He *agrees that the explosion in* business book sales throughout Europe is part of what he calls "a search for new answers in an increasingly competitive environment," he points out that the boom in demand for management education and training courses, and for consultancy work, are further manifestations of the same thing.

Evans warns, however, that that in most European countries "things have only changed on the surface. There is lots of talk, and a mood of change, but deep-set social and political changes have not yet occurred." Like Thulliez, he detects incipient resistance to some of the American gurus from the very rigorous intellectual training which top French executives receive. Both men cite this as one of the reasons why the apparently simplistic *One Minute Manager* was not a success in France. "It was not taken seriously," says Thulliez.

German executives, by contrast, have a much more pragmatic streak of "if it works, we'll try it," comments Evans. All the same, he considers that both France and Germany were "fairly arrogant until recently in their belief that they could do things themselves." To him, the only *societies that have been really* open to American business ideas have been the Scandinavians.

McKinsey's Wilhelm Rall disagrees. "Germany has always been open. We've always been more ready than the British or the French to look for external role models, and to transfer American ideas." This tendency is now being accentuated, not only by direct economic and business pressures, but also "because society is returning to the high-ambition, 'can-do' attitudes of the 1960s."

The success in Germany of Iacocca's book, and, to a lesser extent, of other works on leadership and corporate culture, intrigues Professor Hermann Simon, head of USW, Germany's *leading executive education* centre. Though the word "leader" ("Fuehrer") is still taboo in the Federal Republic, and collective decision-making remains the theoretical norm in most German companies, Simon detects a steeply rising interest in charismatic individual leadership. He points, for instance, to a spate of recent magazine articles about the chiefs of Nestle, Nixdorf, Porsche and so on. "This kind of leader is on the rise," he argues.

In Britain, Helen Fraser, an editorial director of Collins, a leading publisher, shares Danielle Nees's view that the boom has been caused by deep-set social causes. "People are becoming increasingly tied up in their work," she says. "They are seeking to understand business better, and themselves as business people." The current interest in small business and entrepreneurship is only a secondary factor. She claims: "People are wanting to learn how to be a better cog in a large wheel."

A further pan-European factor is the growing number of managers with degrees, especially in business administration. Europe may produce less than a tenth of America's annual output of nearly 70,000 business graduates, but the pool is steadily growing, and its members are becoming big and influential fish at the companies for which they work. This also explains why a few "heavy" management books—such as the erudite tomes on competitive *strategy by Professor Michael* Porter of Harvard—have begun to sell remarkably well throughout Europe.

On balance there seems to be sufficient momentum behind the guru boom in Europe for it to continue. But this does not mean that European executives will ever become as fashion-conscious as their American counterparts. "One of our con*tinuing strengths in Europe is* our reluctance to emulate the American tendency to go overboard for the latest ideas, and to throw out the baby with the old bathwater," says Paul Evans of Insead.

Given Europe's traditional scepticism about new American ideas, it may seem surprising that so few of Europe's best-*selling business books are of* European origin. Apart from one French and one German book on corporate culture, plus a few long-standing stalwarts such as Edward de Bono (*lateral thinking*) and Charles Handy (*Understanding Organisations*), virtually the only real home-grown hits of the 1980s have been local spin-offs (or rip-offs) of the *Excellence* stable, such as *The Winning Streak* in Britain and *Service Compris* in France. None has rivalled the sales of *Excellence* itself.

One obvious reason is that, for all their suspicion of transatlantic influences, Europeans are more open to American ideas than to each other's. A more controversial explanation in the case of Germany is proferred by Dr Eberhard Möstl, head of Moderne Industrie, Germany's largest publisher of US business books: "Germans are good at holding forth in a lecture hall, but not at writing popular books." He is happy with *the steady sale of books* by his stable of German authors but in no way do they hit the heights of his US imports.

More fundamentally, there is still a strong feeling in some European countries that, in Möstl's words, "the really influential management gurus prefer not to reveal their knowledge in books." Whether they are academics or highly-paid consultants, they have always tended to advise a small circle of companies in greater privacy than their American counterparts—to most of whom publicity is a vital part of gaining credibility.

By the same token, the handful of successful top managers who provide role models for others, and thereby rise to guru status, have done so through their actions and their private conversations, rather than via their public writings. This is as true in France for François Dalle, of L'Oreal, as it is in Germany for Günter Vogelsang, the ex-head of Krupp, and in the UK for Sir Michael Edwardes, the former chairman of British Leyland; the latter did write a book, but it had far less impact than his actions.

Danielle Nees says this is beginning to change now that more top executives are "doing an Iacocca," and writing racy books—one of the latest is Jan Carlzon, the glamorous rescuer of Scandinavian Airlines (SAS). But not everyone agrees with her.

It is a *moot point whether* gurus' books have more impact than their personal appearances at seminars and conferences—for which, just as in the US, they charge fabulous *fees. Dean Berry, himself* a behind-the-scenes guru to a range of companies, claims that most top European executives read business books "only after they've been electrified in person. This is where the contact with ideas really happens."

That may be true for the elite, "but for the majority of managers, reading precedes learning," maintains Paul Evans. Wilhelm Rall of McKinsey agrees. "Best sellers give the company an idea of what it can work on, but then they need to be reinforced by transmission *mechanisms such as workshops*," he says.

In the US, by contrast, mass communication has a more direct effect, both through the books themselves and through the much larger public conference circuit. In spite of its new-found romance with business books, European management remains more cautious about new ideas, and less open about they way in which they are conveyed.

The first article in this series was published on Monday. The next will appear next Monday July 7.

TECHNOLOGY

TURMOIL IN TELECOMMUNICATIONS

Why ITT is not alone in its troubles

By Jane Rippeteau

ITT has no choice. Its recently acknowledged hope of spinning its jinxed telecommunications operations off into an alliance with French, and possibly other partners, is born of a technical *and cost stranglehold*. But in its predicament the company is not alone, says one observer: "There are too many systems costing too much money chasing markets that are too small."

The pace of change in telecommunications—driven both by the advent of digital technology and by market demands—is now the engine of sweeping realignments expected among international telecommunications companies as competitors struggle through consolidations and alliances to cover costs and secure export markets.

Some have already occurred. Even the mighty American Telephone & Telegraph Co entered a joint venture with Philips of The Netherlands to market overseas. In Italy, an initiative called the Big Four links Italtel, Alcatel of France, West Germany's Siemens and Plessey of the UK in a hoped-for development and standardisation effort.

The catalyst is the extraordinary costs of developing the latest generation of telephone switching machines. Called local exchanges, or central office switches in the US, these are the powerful electronic units that route and connect one caller to another, just as *female operators used to do* at manual switchboards.

Today's machines, using the digital technology of the computer, cost less to operate and make possible valuable new capabilities. But, according to varying estimates, they cost some $1bn to develop, with several hundreds of millions more needed annually to update and *add new features*.

Nowhere are these costs more of a burden than in Europe, where protected national monopolies have tended to back development of *individual* systems for each country. Since national markets are too small to support development costs, that approach is no longer tenable.

Says Edward M. Richardson, senior analyst at market researchers Dataquest UK: "Japan spent $2bn to develop its central office switches. The Americans spent $3bn (taking together AT & T, Canada's Northern Telecom (NT), and GTE). The Europeans, collectively have spent about $7bn" on some half-dozen different systems "for a market of roughly equivalent size."

And things will get worse. *The next generation of switches* will have to accommodate new services demanded by the market, including not only advanced voice features, but the simultaneous transmission of voice, data and video known as the integrated services digital network, or ISDN. These machines could soak up between $2bn and $3bn in development costs, say industry executives. They and outside observers predict that only two or three of Europe's systems will survive.

One escape hatch is through overseas sales. For the Euro*peans, the huge and homo*geneous US market, which consumes a third of the some $60bn worth of telecommunications equipment sold worldwide every year, is an essential outlet and all leading suppliers are struggling to break into it.

Since AT & T divested its seven regional Bell companies (with their subsidiary Bell operating companies called BOCs), each has been free to buy equipment outside the Bell system. And each has a spending appetite of some $600m annually for central office *switches alone, according* to Sean White, president of Northern Business Information, a New York-based telecommunications market research company.

Put another way, each is "about as big as British Telecom or the French PTT," notes Ragnar Back, marketing vice-president for telecommunications at LM Ericsson in Stockholm. Presently, AT & T and Northern Telecom share this market, with roughly half each. Now the Bell companies are *anxious to line up third and* fourth alternative suppliers to ensure competitive pricing and product performance.

There never was a time such as now for the Europeans to break in.

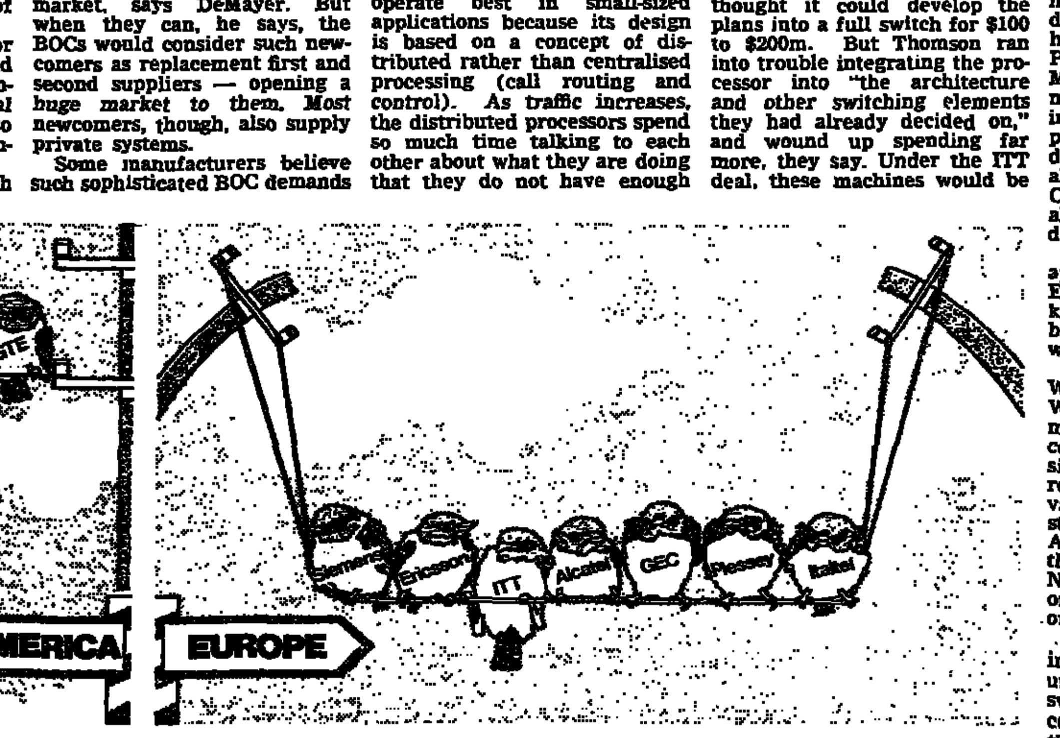
The reason is not outright market growth. Telephone capacity is about saturated in the US. Most sales are for replacement machines. A buying spree last year has levelled now and sales could be flat or decline somewhat until late this decade when a new surge of replacement buying erupts.

Rather, the possibility for Europe is to erode shares held by AT & T and NT. These com*panies are still the technical* champions; but they are also competitors of the Bell companies for some services.

Because of deregulation, both fourth of the Fortune 1000 companies headquarters in its region.

As yet, none of the new competitors can supply full Centrex functions, a major part of the difficulty in getting into the US market, says DeMayer. But when they can, he says, the BOCs would consider such newcomers as replacement first and second suppliers — opening a *huge market to them. Most* newcomers, though, also supply private systems.

Some manufacturers believe such sophisticated BOC demands



can compete to supply systems *capable of special features* such as call forwarding, automated billing, and conferencing to lucrative business customers. AT & T, NT and others sell business customers on-premise switches, called PABXs, for this purpose. But the Bell companies are anxious to build the capability into the central office switches (a configuration known as Centrex) to keep the high-margin business in the public network which they run.

To do that, they need specialised software from their sup*pliers*—AT & T and NT. But they "have demonstrated a slowness to supply the software we need," says Bruce DeMayer, president of Ameritech Services in Chicago, the purchasing arm for the five BOCs comprising Ameritech—which has nearly a

are another reason they must be in the US market. Meeting the demands forces them to the forefront of technology, and they gain experience they can leverage elsewhere, some say.

"The American market is changing all the time and there is much more demand for features and functions," says Bengt Kellgren, vice-president for US operations at Ericsson. "If we are there, we can serve other markets in a much more professional way."

The struggle for export — especially US — sales is a measure of respective competitive positions, according to industry executives and observers. They point to some of the strengths and weaknesses at work as *follows:*

ITT, with some $4.6bn in telephone equipment sales, is a top world supplier. But it was unable to adapt its System 12 exchange to the US market and has failed to deliver on time elsewhere.

The System 12 is believed to operate best in small-sized applications because its design is based on a concept of distributed rather than centralised processing (call routing and control). As traffic increases, the distributed processors spend so much time talking to each other about what they are doing that they do not have enough time to actually do the work *of processing calls, sources say.*

ITT is discussing with France's Compagnie Generale d'Electricite (CGE) spinning off its telephone equipment business into a 30 per cent-owned joint venture company, with the French holding 50 per cent. CGE is the parent of Alcatel-Thomson, which supplies equipment for 84 per cent of the French market.

Alcatel-Thomson comprises two systems, Alcatel's E10, and the MT20 machine that France encouraged Thomson to develop after the government nationalised ITT's French subsidiary.

The E10 switch is believed best suited to small-volume applications such as rural and suburban installations. The MT20, for large applications, has not lived up to performance expectations, observers say.

According to two industry executives in France, Thomson found plans for the central processor of a digital switch at the former ITT company, and thought it could develop the plans into a full switch for $100 to $200m. But Thomson ran into trouble integrating the processor into "the architecture and *other switching* elements they had already decided on," and wound up spending far more, they say. Under the ITT deal, these machines would be lumped with System 12.

In separate negotiations, France is talking with other competitors to replace CGCT, supplier to the remaining 16 per cent of the market. The leading contender has been the joint venture between AT&T and Philips because France hoped the American company would help Alcatel sell its E10 switch in the US.

Although since divestiture, AT&T is less influential in BOC purchasing, the E10 switch, with its rural suitability, would at least not be in direct competition with AT&T's flagship 5ESS machine. "The E10 is well suited for installation of under 5,000 lines," says one observer. This low-end, dominated by Northern Telecom, is worth a fourth of the US market.

GEC and Plessey of the UK jointly developed and now both manufacture the sophisticated System X for British Telecom. Export orders have been elusive, however. "It's over-engineered and too expensive," says White of Northern Business. A merger that could reduce costs is possible as GEC has bid to buy Plessey. But Plessey is resisting and the Mergers and Monopolies Commission may disallow the move in any case because the companies are leading British defence contractors. Plessey also now owns Stromberg-Carlson in the US, a traditionally *strong* supplier to independent telephone companies.

Siemens and Ericsson to date appear the most promising European suitors in the US market. They have gone after the *business in rather opposite* ways.

Siemens is chief supplier to West Germany's Bundespost. With its highly-regarded machine called the EWSD, the company *has already lured sub*sidiaries of four of the seven regional Bell companies into various agreements for test installations. In its main coup, at Ameritech, it has been named *third supplier* after AT&T and NT, and will be invited to bid on Ameritech's next round of orders released this month.

Too, it is negotiating an important liaison with GTE under which its own EWSD switch might replace GTE's competing design. Although this has worried some of GTE's customers — including *Italy—such a deal would give* Siemens access to GTE's captive telephone operating companies as well as substantial credibility and marketing clout in the US.

Siemens secured these marketing liaisons prior to completing a key product review by Bellcore, a research entity supported by the seven regional Bell *holding companies*. A failure to survive the "vetting" would scotch its Ameritech deal, says DeMayer.

The Bellcore review, called Phase A of the requirements faced by foreigners wanting to sell in the US, is a daunting and expensive step. It is paid for by the supplier and involves not only $5m to $10m in direct costs but at least *$100m* more to adapt a foreign system to US specifications, according to White of Northern Business.

Suppliers, of course, can incur far greater costs if their designs are not easily adapted to meet Bellcore standards or the BOC features demands.

Ericsson went for Bellcore review early on, and its AXE switch is expected soon to emerge. Now its marketing efforts—newly snatched from the doldrums and restaffed with Americans—are showing results. This month, Ericsson signed two deals in the Bell system, one at US West and one at South Western Bell, for trial installations. One of them involves an ISDN network.

Ericsson has also reinforced its US commitment by last autumn repurchasing the 50 per cent stake in its US company *held by Atlantic Richfield, the* giant fuels concern.

Ericsson has sold its switch in 64 countries. Recently, against all major competitors, the company was picked by *British Telecom as a third* supplier, for about a fifth of the UK market. It is believed that this deal will be expanded.

Ericsson executives believe that the strength of the company's *machine lies* largely in its modular design built around a central processor. They say the AXE can be tailored for installations of different size and purpose, and can be upgraded fast with new software modules.

The Europeans have company in their US marketing drives: the Japanese. The key entrant so far is NEC, with its NEAX61 machine. It has taken a niche strategy in its efforts to enter the Bell market by offering its machine as a digital upgrade device to older AT&T analog electronic switches.

Ericsson executive Carl-Henrik Ström believes he will see the Koreans on the world stage before long: "*Everybody is licensing* them, including Ericsson," he says.

Survivors will undoubtedly be few. But, says William H. Springer, Ameritech vice-chairman, there is still hope for newcomers. Because of technology and market demands "the market worldwide has just opened up," he says. "AT&T and Northern Telecom do not have a lock on all the brains in the world."

In the peace of the Scottish capital, financiers hope that, once the dust of London's Big Bang has settled, there will be new opportunities.

Standing back to think

BY BARRY RILEY, FINANCIAL EDITOR

THERE IS no Big Bang in Edinburgh. From their elegant drawing rooms in Charlotte Square and Queen Street, the city's financiers watch and wait as London turns itself upside down.

They hope that, when the dust settles, there will be new and profitable opportunities for the independent and uncompromised specialists who abound in the Scottish capital.

Mr Angus Grossart, of the successful Edinburgh merchant bank Noble Grossart, is unworried by the rapid growth of London as it turns itself into a global financial centre. "There is danger in a centre that becomes too dominated by the market place," he says.

He argues that it is a problem in London to distinguish original ideas from the many echoes. In Edinburgh, standing back from the short-term noise, it is possible to think much more clearly.

"Edinburgh is a user of financial markets," says Mr William Bain, of stockbrokers Wood Mackenzie (now part of Hill Samuel). "It can afford to sit back and watch what is going on in Big Bang."

But other Scots are less confident that the city's long history as a financial centre will guarantee it a future. "We mustn't get too arrogant. Nobody needs Edinburgh," says one well-known local practitioner, who prefers to remain anonymous.

And Mr Ian Rushbrook, a director of fund managers Ivory & Sime, is worried that the health of Edinburgh's financial sector is far from assured in the long run. "It is fragile. It rests on a very narrow base indeed," he says.

Although Edinburgh is the headquarters of the two independent Scottish banks, the Royal Bank and the Bank of Scotland, they are modest in size by international standards, and the city's main claim to fame is its fund management sector which controls assets totalling some £30bn.

Of these, a large chunk are managed by half a dozen or so life assurances houses, of which Standard Life and Scottish Widows are by far the biggest; and another important segment is concentrated within the investment trust movement.

The life offices are secure and prosperous, and turn out a steady stream of qualified actuaries and fund managers, but provide little of the enterprise needed to build new financial businesses in a rapidly changing environment.

The investment trusts, meanwhile, have suffered uncomfortable shocks in the past few years from takeovers. But they have re-grouped and re-focused their objectives, and a number of investment management firms are now bidding vigorously for pension fund and unit trust business, growth sectors which Edinburgh has been slow to move into in the past.

Two challenges must now be faced if Edinburgh is to sustain, let alone improve, its position. It must market itself more aggressively in conditions of rapidly increasing global competition, particularly for asset management business. And it must ensure that it prevents too many key people from being lured away by bigger remuneration packages and better careers prospects in London or elsewhere.

The response on the marketing side has been the decision to launch a special promotional company called Scottish Financial Enterprise, which will have special relevance for Edinburgh, although strictly speaking it is aimed at boosting the financial services industry throughout Scotland.

Edinburgh financiers note a new readiness by financial businesses to co-operate with others in the common interest, an attitude which has not been characteristic of a centre composed of small, highly individual operations.

As for personnel, much depends on the city's ability to prevent the size of its financial services sector from falling below the "critical mass" needed to provide career structures to ambitious youngsters.

The drift south is nothing new. "The tragedy is that we have been such great exporters of financial talent over many years," says Angus Grossart.

So far, Edinburgh has remained relatively immune from the surge in staff turnover that has hit London. "We are losing some junior people, but gaining more senior ones," says an investment trust manager. "Quite a lot have gone to London and come back."

All the same, the insurance companies in particular are being troubled by the loss of junior staff at a time when there is a national shortage of skilled investment managers. And salary levels are generally being scaled up, thus raising costs, although the problem cannot be as serious as in London.

The physical infrastructure of Edinburgh is also coming under pressure. There is a lack of good modern offices, and plans have been motted to build a new financial centre on old railway yards behind the Caledonian Hotel.

This would not be like the enormous and towering Canary Wharf scheme proposed for London's docklands. Edinburgh does not want to emulate the English capital. But in an era of unprecedented deregulation and globalisation it faces the need to find a new way to co-exist.

The memorial to Sir Walter Scott, in Princes Street gardens, is a landmark among Edinburgh people, and a popular lookout point with visitors who climb its narrow staircase.

Finance employs 21,000

SCOTLAND'S financial community contributes more than seven per cent to the country's GDP.

The sector provides 80,000 jobs, 4 per cent of the employment in Scotland. Some 21,000 of these jobs are in Edinburgh, representing 9 per cent of the city's employment.

Its banks have assets over £25bn, and its three clearing banks issue their own notes.

One third of the UK investment trusts are in Scotland, which was a pioneer in international investment. About 10 per cent of UK fund management is in Scotland.

Sixteen per cent of the UK's insurance and assurance activity is based in Scotland.

The Scottish Stock Exchange floor is fully integrated with London and international exchanges.

Banks

Heed the southern giants

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

SCOTLAND'S banks have a confident air about them these days. They have survived intact and are performing well, despite the initial jockeying among the bigger banks as they prepare for deregulation.

The Scots have not tried to compete with the larger London-based high street banks by forming multi-service conglomerates. Instead, they have cultivated their specialities, made good use of their technology and sharpened their marketing ideas to gain new business.

Imagination and initiative will be needed if the Royal Bank of Scotland, the Bank of Scotland, the Clydesdale Bank and the Trustee Savings Bank Scotland are not to be overwhelmed by the giant financial services groups formed in London.

Scotland has two independent clearing banks: the Royal Group and the Bank of Scotland. The Clydesdale is a subsidiary of the Midland Bank, and Trustee Savings Bank Scotland is undergoing a transformation from a collection of savings institutions to a UK-wide retail bank with an autonomous Scottish subsidiary.

These resources, plus those of the Scottish branches of the big London clearers, make the Scots somewhat overbanked. Too much competition for the limited home market for the two independent banks means they must look to the south for ways to win new markets and overseas to maintain growth.

"What we are trying to do at the moment is look for market niches we can try to exploit," explains Bruce Pattullo, treasurer and chief executive of the Bank of Scotland.

Rob Farley, chief general manager of the Royal Bank of Scotland, agrees. "It is wrong to say that we can play in every possible market including our traditional market."

Pattullo's bank has used its computer base as a strong marketing tool, overcoming the absence of a extensive branch network in England or overseas. Apart from a pioneering effort introducing home banking in the UK, co-ordinated through the Prestel system, the bank's computerised strength recently scored something of an international coup.

The bank suggested to the DHSS that it handle its international remittances of payments, such as pensions. The paperwork for these payments was extensive, and the beneficiary was losing out in local bank charges and currency conversions.

The DHSS put the idea out to tender and gave the contract to the bank, which now uses current advanced telecommunications to handle the transactions.

"What you are talking about is electronics systems and swapping electronic messages with other banks. And it doesn't matter if you have two branches overseas or if you have 5,000 branches. The point is: you are going to place those monies directly into the beneficiaries' bank accounts," says Pattullo.

The Royal Bank of Scotland is also making use of a powerful computer base to become the first UK High Street bank run from Edinburgh. Following last year's merger of the Royal with its sister bank Williams and Glyn's, sceptics predicted an increasing amount of day-to-day business joining the foreign exchange and Treasury work already centred in the south. But the Royal Bank's executives are adamant that the heart of the bank remains in Scotland.

Instead of managers shuttling back and forth between Edinburgh and London, the bank uses television conference links to bring together staff at both ends.

Rob Farley feels the immediate gains for the group are in the banking sector's increasing battle for business with the building societies. A new premium deposit account brought in £100m in savings in four months from potential building society customers. Lending was also up. "If I had £300m out in mortgages over the next year, on top of the £500m or £600m already, I would find that very satisfactory," he says.

The Royal filled an important merchant banking gap in its portfolio with the purchase last year of Charterhouse. Charterhouse has since acquired the Liverpool stockbrokers, Tilney and Company. Its corporate loan activity has been pitched at the medium-sized company rather than the multinationals. Areas to watch, say Royal managers, include technology-based serviced to business.

The Clydesdale's room for initiative has been limited to serving its Scottish customers. Although it has developed some international services to do this, the bank relies largely on its parent, the Midland, to give it worldwide scope.

Richard Cole Hamilton is another Scottish banker who sees the opportunities from re-regulation. With the advance of electronics and communications, the delivery of services away from the centre is no longer a problem and can be cost-effective," he points out.

Despite increased bad-debt provision and farm loan exposure, threatened by last year's disastrous crops in Scotland, the year-end result showed the Clydesdale's pre-tax profits up 21.7 per cent to £29.50m.

The international players

AS SCOTLAND'S banks carve out specialised niches for themselves in the UK market, London-based and foreign banks have created profitable specialities for themselves in Scotland.

Among the London discount houses, Union Discount is the only one with an office in Edinburgh. The small office in Charlotte Square has gradually built up its short-term money clients among the institutions.

Now, David Bowes-Lyon, of Union Discount, has plans for his company to be the first market-maker in gilts from October. This will be a service organised in conjunction with stockjobbers Aitken Campbell, in Glasgow. Union Discount at present has a 50 per cent stake in Aitken Campbell.

The list of members of International Bankers in Scotland (IBS) lists 29 English foreign-based institutions with an office or branch in Scotland.

Gordon Branston, manager of the Bank of America's office in St Andrew Square, feels the international banking community is not here as an appendage of London or other banking centres abroad. His bank has established its own dealing room in Edinburgh, offering what the bank calls financial engineering services on the money markets and foreign exchange markets to clients in Scotland and the North of England.

M. M.

TSB Scotland

'It'll be rougher than New York'

THE WINNERS in the ultra-competitive financial revolution will be companies with the strongest capital and the ability to integrate a wide range of skills under one roof with a powerful back-office support system.

Mr Ian Macdonald, Chief General Manager of the Trustee Savings Bank Scotland, makes this advance assessment of the forthcoming Big Bang.

A Scottish banker who brought from the Hong Kong and Shanghai Bank an international perspective to his position in the TSB Scotland, he also predicts that the going in London will be rougher than in New York, with US banks active in underwriting corporate securities — an area closed to them at home.

"London is going to be fiercer. The competition will be international, and some very powerful major players like Salomon Brothers are coming to the market," he says.

"I think that if the early market activity is dominated by amateurs there are going to be heavy losses for a lot of people," he adds. "I am not sure if the risk assessment is fully understood by the people who are going to play. As for the regulations—whether we have too much or too little—you won't know if the authorities have got that right."

The high volumes to be traded, the powerful international players, the capital and talent required to compete are among the reasons why TSB Scotland has kept well out of the game. It is now breaking into its stride as a retail bank and is not in the position of other banks which are becoming players in this potentially dangerous game so as not to lose their clients.

Like other Scottish bankers, Mr Macdonald wants to make use of the specialities cultivated by the Scots. He feels that the reputation the Scottish investment community has in the US could well be tapped and that this in turn could lead to business spin-offs for Scotland.

The financial revolution apart, 1986 has so far been a strange year for Mr Macdonald and the TSB. The protracted court case over the ownership of the bank has postponed and taken some of the energy out of the plans to float the TSB group, which will include the TSB Scotland.

Working within the group, according to Mr Macdonald and his management, will not clip the wings of the Scottish TSB, which was formed out of four savings institutions in Scotland to become the star performer among UK trustee savings banks.

M. M.

EDINBURGH as a financial centre

Shaping up for deregulation

Scottish Financial Enterprise may turn out to be a standard-setting body for its members, says Mark Meredith, in this profile of the SFE and its executive director.

SCOTLAND HAS a vibrant financial community, but only now has this community come to recognise its collective strengths.

Joint action among the banks, insurance companies and *fund managers has come* partly as a defensive measure against the continued drain of decision-making to the South East, and partly as a recognition of the need for a Scottish marketing offensive in the new world of deregulation.

On May 17 Scottish Financial Enterprise was unwrapped. *This company, to promote* the interests and facilities of the industry, was formed by a working party under Sir Thomas Risk, Governor of the Bank of Scotland which, since late last year, had been examining the prospects and problems of the sector.

More important than the company as a marketing vehicle was the appointment of Professor Jack Shaw, Senior Partner of Deloitte Haskins & Sells in Edinburgh, as Executive Director of Scottish Financial Enterprise.

It was generally agreed among the working group that personal contacts by an eminent Scot would be the best way to disseminate the advantages of the financial sector.

Shaw sees himself as the salesman in an industry where individual salesmanship is appreciated.

By the autumn he will have moved into an office in Edinburgh with a staff of four. Backed by his company, *formed from the leading financial institutions,* he will also have evolved his marketing strategy.

Jack Shaw . . . the salesman's salesman

This will not be an easy task, considering how difficult the institutions have found it in the past to get together, and *the varied and competitive* interests of each sector within the community.

But initial reactions are good. "Very encouraging and exciting," says Shaw. "*There is an* increasing realisation of a genuine community in Scotland. There is a sense that at last we have got it together."

Shaw says his strategy may not be published. Despite its public nature, Scottish Financial Enterprise will perform like most companies, and be understandably shy about showing its marketing hand and possibly harming the impact of a long-*term promotional campaign.*

He is likely to identify areas close to home at first, where the domestic financial resources are not recognised or have, with time, been overlooked. The first doors he will knock on could well be those of companies or local authorities which normally do their banking, pension fund *management or fund raising in* London when they could do it—possibly more *profitably*—at home.

"There have been quite significant changes in what is available here in the last decade," he says, of businesses in Scotland which may not have reviewed this aspect of their financial management.

Spreading the word to the business community in the south and abroad will follow.

Shaw's work will be cut out finding common ground and galvanising support among his disparate membership, which covers the banks, fund managers, insurance houses, accountants, stock brokers and financial middle-men based in Scotland.

"I have to maintain the trust that they appear to have in me at the moment," he says, and turns to a golfing metaphor. . . "We are not going to be interfering too much. We are not concerned how level the pitch is, but rather with encouraging our fellows to play downwind and use the run of the green."

It may well be that the reliance on self-regulation, in the current revolution in the financial sector, will find the *Scottish Financial Enterprise* acting as a standard-setting body for its members.

This would be a natural development from its promotion of the quality of Scotland's financial services. But long before this role can even be contemplated, the new body has to establish its marketing role. It is a role which clearly delights Shaw.

"In my life, I have wanted to make sure that in Scotland, people with talent and ability had an opportunity to find satisfaction — *financial, intellectual* and *professional* — in working in Scotland," he says.

"I have spent my professional life watching corporate decision-making going out of Scotland. We need now to assert the excellence of what is here, to ensure that everybody knows what business can be done here."

What they say about Big Bang:

"WE HAVE nothing to fear from deregulation, and we are ready to seize the challenges and opportunities it presents. Edinburgh is already Britain's second financial centre, and in *Charlotte Square* we have experience, professionalism and excellence which will stand us in good stead. With modern technology we can keep in touch with world markets as quickly as any colleagues in London or Geneva."

Malcolm Rifkind

Malcolm Rifkind,
Secretary of State for Scotland.

"I am apprehensive for parts of the City of London, where the herd instinct is really quite strong and everybody is determined in believing that they can be successful in a market-making role."

Bruce Pattullo,
Treasurer and General Manager,
Bank of Scotland.

"I feel that what is going on in London can only be good for an asset management centre like Edinburgh, because of its strengths in banking and insurance and, most important, in investment management houses. These fund managers have all retained their independence and have not linked up with conglomerates, a fact which should appeal to all investors."

David Ross,
Director, Ivory and Sime.

"Our concern about Big Bang is that deregulation might result in the big boys eating up the small boys, and lead to a greater concentration of power in the City at the expense of Scotland and Edinburgh. Another worry is over the development of new technology, which is hitting full time jobs in banking."

Campbell Christie
General Secretary
Scottish Trades Union Congress

"The Scottish insurance houses have traditionally offered top-performing policies. We think that the financial services legislation is going to sharpen the focus of competition between the independent intermediaries and direct selling."

David Berridge,
General Manager,
Scottish Equitable Life Assurance.

Trusts

Base broadened, now for a career policy

BY BARRY RILEY

TWO OF the scourges of the Scottish investment sector from South of the Border have bowed out within the past few months. Mr Matthew Oakeshott has left the Courtaulds pension fund and Mr Ian Henderson has resigned from London and Manchester Assurance.

They no longer have the power bases to threaten takeovers, or force mergers or unitisations, which have been the fates of several Edinburgh investment trusts. Yet their catalytic influences persist. By and large, the Edinburgh investment trust groups have reassessed their roles, and have sought to become much more broadly based fund management operations.

Those that have not changed could still prove vulnerable. Rivals are curious, for instance, about the future of the Scottish Investment Trust, which remains a stand-alone operation. "Independent trusts could find life increasingly difficult," is one view from Charlotte Square.

Groups such as Baillie Gifford, Martin Currie, Ivory and Sime and Edinburgh Fund Managers have diversified into parallel activities such as pension fund management and unit trusts, in some cases including the difficult US "ERISA" pension fund market.

Both Ivory and EFM have successfully launched themselves as independent fund management companies listed on the Stock Exchange, creating a generous handful of paper millionaires between them.

About 18 months ago, the management company of the *Edinburgh Investment Trust* moved down a similar diversified route, merging with the managers of other trusts to increase the base of funds under its control and expanding into unit trusts. It adopted the name Dunedin Fund Managers.

Mr Grant Cochrane, of Dunedin, explains: "A lot of fund managers were employees of investment trusts. The incentive wasn't there to go and develop a broader business. But once you are employed by a separate asset management company your motivation changes."

A major consideration these days is the need to offer attractive conditions and a career structure to recruit and retain able young fund managers. At the same time, the ownership of investment trusts has increasingly passed into the hands of institutions such as pension funds and insurance companies which look to the trusts to follow much more specialised investment policies.

The threat remains that the share prices of badly-performing trusts will fall to big discounts on underlying assets, and be taken over and possibly liquidated.

But there is also the opportunity to expand into new areas, potentially with big financial rewards for individual managers. For Edinburgh's investment trust managers, the stick has increasingly been replaced by the carrot.

Charlotte Square . . . where Scottish financiers wait as London turns itself upside down

An overlooked sector signals its presence

BY MARK MEREDITH

CONSULTANTS examining the economic outlook for Edinburgh have identified its financial services sector as one of the motors for growth.

The banks, life assurance houses, investment trusts, merchant banks, stockbrokers, accountants and other financial services provide about 9 per cent of the city's employment or 21,000 jobs.

David Mowat, chief executive of Edinburgh's Chamber of Commerce, which commissioned the consultants PEIDA to report on the city's economic outlook, sees the need for a tangible sign of confidence in the growth of this vital sector.

"Ask any school-leaver in Edinburgh what are the city's most important activities, and I doubt whether finance gets a mention," he says. The subdued profile of the city's financial services partly explains what bankers see as an under-appreciation of the role that the industry plays in the city and in the national life of Scotland.

Even the controversy over the projected merger or takeover of the Royal Bank of Scotland in 1981-82, and the potential loss of the Scottish headquarters of one of the financial sector's foundation stones, provoked limited interest. Only 20 letters are reported to have been sent to the Monopolies and Mergers Commission, which eventually turned the proposals down as being not in the public interest.

The public often regard the industry as operating well out of sight behind closed doors. But the recent formation of a marketing group, to promote Scotland's financial sector to the home, UK and international markets, could well dispel some of the uncertainties.

Scottish Financial Enterprise, described elsewhere in this survey, will call the attention of Scotland and Edinburgh to the strengths and potential of a powerful home industry. It should also find new and needed common ground among the various interest groups.

One visible sign of an active financial sector is a plan to build a conference centre as a forum for banking and other fiscal issues. The Chamber of Commerce is actively promoting the £18m centre in the heart of the city. Mowat thinks it will help to encourage contact *within a community* which, so far, has been reluctant to undertake many collective initiatives.

"The role of headquarters will remain an important one for Edinburgh," Mowat says. Headquarters consolidate an infrastructure of senior management in the city and within Scotland. This is what keeps decision-making north of the border.

But the technology is now in place to allow companies such as banks and insurance houses to re-locate many of their back-office activities away from high cost centres such as London.

Labour's reservations

A Labour City Council and a powerful financial sector make uneasy bedfellows.

Labour took control of Edinburgh District Council for the first time in 1984, after years of Conservative administration. Despite an estimated 21,000 people employed in the financial services, the Labour councillors show more acceptance than enthusiasm for the benefits of the industry.

Mr Mark Lazarowicz, the Labour group leader, explains: "We recognise the importance of the financial sector to the Edinburgh economy. But our main priorities are in preserving the existing manufacturing base and encouraging the growth of a high technology manufacturing sector."

Financial services bring spin-offs but have little direct impact on the city's unemployment, he adds.

"We in the council get annoyed at some sections of the financial establishment in Edinburgh, who are the first to demand cuts in rates but are not so willing to support the council in its efforts to promote jobs and services in the city."

GEC profits retreat to £701m

General Electric Company yesterday unveiled the expected fall in its full year profits with the pre-tax balance emerging at £701m against £725m. The company's shares initially rose 4p before closing 2p lower at 220p.

Lord Weinstock, the managing director, said that GEC's buying of its own shares by using some of its cash mountain, had cost around £25m of interest income. Net income receivable was £8m higher at £182m.

Associate company contributions fell from £20m to £11m, due mainly to the economic and currency problems in South Africa where the company has a joint venture with Barlow Rand.

Below the line, minorities were lower because of a £24m *drop in profits at Canadian Marconi*, which saw the ending of a highly profitable military products line as well as unfavourable exchange movements between the pound and Canadian dollar.

Another of the Marconi operations, secure radio, suffered a sharp £16m turnround to losses of £8.5m.

GEC said that its private venture R & D spending over the two years to end-March 1986 was up by £98m, amounting to £277m in 1985-86.

On the telecommunications side, the company said that System X (digital public exchange) was now producing better profits and it had won just over half of British Telecom's orders. System X volumes were up but margins were lower.

The company said that it was talking to three Bell telephone companies in the US to about taking System X on a trial basis.

Poorer results were returned by GEC's private telephone systems and transmissions activities.

Elsewhere, *computer operations* were back in profit but on the medical side profits fell by £7m to £22m. GEC attributed £3.5m of this fall to exchange rates adding that the market was also proved difficult and more money was needed for development.

The turbines busines showed an improvement but diesels results were worse. Losses from switchgear were cut.

Total group sales for the year to end-March 1986 came to £5.25bn, against £5.22bn. Of the total, £2.68bn was derived from customers outside the UK. Exports from the UK were £1.28bn and export orders received in the year totalled £1.47bn.

Earnings per share rose to 17p (15.2p) — largely reflecting lower tax of £265m (£299m) — and GEC yesterday proposed to lift the year's dividend to 4.3p (4p) through a higher final of 2.9p (2.65p).

Retained profits worked through £30m higher at £338m after tax, lower minorities of £8m (£19m), extraordinary *credits of* £25m (£8m) and dividends costing £115m (£107m).

On a divisional basis profits were: Electronic systems and components £201m (£234m); telecommunications and business systems £85m (£81m); automation and control £49m (£48m), medical equipment £22m (£29m); power generation £60m (£55m); electrical equipment £42m (same); consumer products £34m (£27m); distribution and trading £13m (£14m) and other £2m (loss £1m).

Lord Weinstock, the GEC managing director

See Lex

A. Monk profits tumble to £45,000

PRE-TAX profits at A. Monk & Company, building and civil engineering contractor, plunged from £1.64m to £45,000 in the year to February 28 1986, but Mr M. Couchman, the chairman, said that although the results were disappointing, they were in line with the reduced expectations which the board had at the time of the half-year report.

Although turnover was lower in the second half, again as *expected, it showed a* 25 per cent increase from £109.49m to £136.26m in the full year.

He said the high level of activity was clearly not reflected in the profits achieved. That primarily resulted from a number of large contracts, the scope and nature of the work had been varied to a significant degree and valuations for that varied work at that stage had not been agreed.

He said current contracts were less affected by such problems and such settlements as could be achieved should therefore, flow directly to its future results.

During the year, the company increased its investment in property development, using its *own cash resources.* All its completed developments had been let, and the rental income would make a useful contribution next year.

The directors had also decided to increase the volume of private housebuilding and was progressively increasing its investment in that area of activity.

Despite the poor results, the final dividend is maintained at 4.5p for an unchanged total of 6.5p. *The loss per 25p share* was 0.5p against earnigns of 8.1p. Net asset value per share was down from 157p to 148p.

● comment

As the squeeze on Government spending has taken its toll on public sector construction contracts, the larger contractors have turned to smaller projects and it is the middling contractors, like Monk, which have suffered most. The company managed to muster something of a recovery in the second half —staving off losses at the pretax level thanks to interest receivables—but the pressure on margins is as intense as ever, and shows little sign of abating. Contracting may make a contribution in the current *financial year, but only if* some of last year's contracts reach settlement. Monk has already taken remedial action, by diversifying into property development and house building. Property has already begun to filter through to profit, but the benefits of house building will only emerge in 1987-88. The City expects profits of £1.5m for the current financial year. The multiple—of 14 on yesterday's share price which rose by 5p to 126p — could only be justified by the yield of 7.4 per cent and by the persistent hope that the Davy Corporation will act upon its stake.

Tibbett & Britten offer

Around £150m has been put up for the offer for sale of 9.14m shares in *Tibbett & Britten Group*, the specialist clothing transport group with close links with Marks and Spencer.

The full basis of allotment will be announced today though judging by early indications from the receiving bankers, Lloyds Bank, the issue has been oversubscribed some thirteen times.

RODIME, an unquoted company which makes peripheral equipment for the computer industry, suffered a significant reduction in sales of its established products for the quarter ended June 30 1986, with turnover about 18 per cent lower than for the quarter to end-March 1986, and about 30 per cent lower than in the comparable quarter last year.

US decline hits United Leasing

BY RICHARD TOMKINS

United Leasing, the computer leasing company, yesterday became the second casualty of the sector in four weeks when it announced that profits for the year to last March would show a sharp downturn over the previous year's figure.

It said the last quarter, traditionally its best trading period, had been hit by a decline in profitability at its US subsidiary caused by delays in deliveries of new large systems by IBM.

Consequently full-year pre-tax profits would be between £4.25m and £4.5m against £5.3m for the year before. This compares with City forecasts of £7m to £7.5m made at the interim stage.

Last month IBL, another computer lessor, shocked the stock market with a downturn in profits from £7.5m to £6m for the year to last December.

Talk of United Leasing's profits downturn was already widespread in the market and its shares had fallen from 283p at the beginning of June to 155p on Monday. Yesterday optimism of a recovery in the current year took them back up 15p to 180p.

Mr Pelham Allen, United's finance director, said one factor behind the poor result had been the performance of the group's microcomputer subsidiary, which lost about £1.5m for the year.

When the interim figures were reported in December, showing a halving of profits to £1m, these losses had been stemmed and it was hoped that a good performance from the rest of the group would produce a satisfactory result.

However, US business slowed down in advance of price cuts announced by IBM in mid-February, and delays in deliveries between then and United's March 31 year end meant that some £1m of gross profit contribution had to be carried over into 1985-86.

The current year had opened well with all subsidiaries reporting better results, Mr Allen said. The preliminary figures for 1984-85 would be published as scheduled on July 14.

● Mr Philip Coussens, chairman of IBL, says in the company's annual report published yesterday that increased demand has been experienced in almost all business and geographical sectors and looks forward with confidence to a resumption in profits growth.

Ferranti hit by electronics downturn

A SHARP downturn by the electronics division of Ferranti cut deeply into the group's 1985-86 profits and City analysts, who had been looking for little change on last year's £46m, found themselves some £5m off target.

The results were also affected by a strike at the group's Dundee factory.

Following yesterday's announcement of a £4.9m fall to £41.1m pre-tax in the year to March 31 1986, the group's shares fell by 14p to close at 114p.

Turnover for the year improved from £567.9m to £595.8m — the Cheshire-based group is an electrical and electronic engineer.

A divisional breakdown of operating profits shows: defence systems £21.8m (£21.6m), industrial electronics £1.1m (same), computer systems £18.1m (£15.6m), electronics £3.7m (£10.3m) and instrumentation £2.9m (£1.6m).

Looking ahead, the directors said the outstanding order book at around £700m was at a record level and should provide a solid base for growth in 1986-87.

The year was expected to be challenging with difficulties in the world semi-conductor industry, changing policies in government procurement and fierce competition in the office product field at home and overseas.

Shareholders were told, nonetheless, that the group was well placed to meet the challenges and that the directors remained confident that long-term growth would be achieved.

Although many of the group's activities achieved higher levels of growth in 1985-86, significantly lower levels of sales in semi-conductor companies, a fall in overseas procurement on behalf of the Ministry of Defence and the strengthening of the pound against the dollar combined to reduce the overall advance.

The directors explained that planned increases in sales to the offshore industry were not achieved because of a lower level of activity in that industry.

The reduced profit from electronics together with effects of a strike during the year at Ferranti's Dundee factory countered a 12½ per cent improvement in the remainder of the group.

Although electronics remained in profit during 1986 on turnover down only 17 per cent and some small improvement in demand had occurred since the year end, a return to earlier levels of profitability was not expected in the short term.

Tax for 1985-86 accounted for £12.2m (£15.6m) and minorities for £0.6m (£0.4m credit). There were also extraordinary losses amounting to £0.3m (£0.7m).

Earnings fell from 7.17p to 6.54p. The dividend is being lifted by 9 per cent to 1.7p net, the final being 1.15p.

S & N rises £10m and looks for sound progress

Scottish & Newcastle Breweries yesterday released its results for the 1985-86 year showing profits up by £10m at the pre-tax level.

Profits from beer trading rose by 16 per cent and hotels again did well with an increase of over 30 per cent. Trading *margins showed further improvement.*

The group, based in Edinburgh, lost a nine-month battle to take over Blackburn-based brewer Matthew Brown at the end of 1985 and the £2.3m costs of the bid were taken below the line and included in extraordinary provisions of £8.9m (£0.3m), which all but eroded the pre-tax advance.

Turnover for the past year (to April 27 1986) rose by £66.4m to £773.6m and operating profits pushed ahead from £74.8m to £88.9m.

The wholesale beer, managed public houses and tenancies and maltings division raised its contribution from £65m to £75.6m while the hotels side lifted its profits by £3.3m to £14m.

In the current year the hotels will face difficulties but overall, the directors said they were *looking to another 12 months* of sound progress.

Pre-tax profits for 1985-86 improved from £65.2m to £75.1m —in line with City expectations. The tax charge rose to £23.9m (£19.8m) and left net profits at £51.2m, compared with a previous £45.4m.

Profits attributable to ordinary shareholders worked through at £40.4m (£43.5m) after taking account of a £1.4m (£1.1m) allocation to the profit sharing scheme, extraordinary charges and same-again preference dividend payments of £0.5m.

Earnings emerged at 16.8p (15.3p) pre-extraordinaries and a final dividend of 4.82p (4.19p) raises the total from 6.09p to 7.01p net per 20p share.

Other extraordinary items included the disposal of the Scotch whisky business and other closure and reorganisation costs amounting to £3.1m and the write-off of assets scrapped during the refurbishment and upgrading of hotels and public houses totalling £5.9m.

Scottish & Newcastle's £125m bid for Matthew Brown was cleared by the Monopolies Commission last November. However, the bid lapsed in December following a ruling by the Panel on Takeover and Mergers that an extension of 90 minutes on the closing day had been used by S & N to lift its stake in Matthew Brown from 47.5 per cent to just over 50 per cent.

See Lex

All-round growth boosts Pepe

ALL-ROUND growth continued in the second half at Pepe Group to leave pre-tax profits 60 per cent ahead at £4.21m in the year to the end of March 1986. There was substantial sales growth in the US and UK, which was helped by new ranges.

Turnover for this company which designs, imports and wholesales men's and ladies' casualwear and jeans, rose by £11.2m to £31.11m. Earnings per *10p share came out higher at* 10.4p (7.8p) and a final payment of 1.8p is being recommended, against last year's single payment of 1.5p, making a total for the year of 3.3p.

Mr Roger Rowland, chairman, said that the company was particularly pleased with *the sales achieved by the youth* range. There was good growth in demand for jeans and the income from the shoe franchise was satisfactorily higher.

The US rise reflected growth in product acceptance and number of outlets, he added. Customers were showing their confidence by committing orders earlier.

The present year had started well with sales ahead of last year.

The tax charge was £1.72m (£1.18m) and minorities took £47,000 (£36,000). Last time there was an amount of £40,000 credited against net profits *relating to profits of subsidiaries* made before acquisition. Dividends absorbed £776,000 (£352,000) leaving retained profit of £1.67m, against £1.03m last time.

The company is quoted on the USM.

● comment

Pepe's unhappy flotation in March 1985 left the shares hovering below their 100p offer price for nearly a year. Last January's frothy interim results prompted a reassessment, however, and the surge that has taken place in their wake was fully justified by yesterday's figures. Interest from the flotation proceeds may have added £400,000 at the pre-tax level, but even without it there would have been a 44 per cent profits increase. The main factors are the increasing number of outlets in the UK and overseas, a resurgence in the fashionability *of denim jeans prompted by the* Levi's advertising campaign, and the success of new ranges such as women's and youngsters' wear. All are continuing into the current year and a good £5.3m is in prospect. With the shares up 2p at 148p and the tax charge down to 35 per cent, the prospective *p/e* ratio of 10 suggests room for a further upward rerating in spite of the market's understandable nervousness over fashion stocks.

BMP purchase and £9m rights

BY ALICE RAWSTHORN

Boase Massimi Pollitt, the advertising agency, yesterday announced proposals to acquire Granby Marketing Services, a sales promotion house, for a maximum of £6.6m in cash.

The agency also unveiled details of a rights issue which will raise £9.3m to fund the Granby deal and future acquisitions.

Once the acquisition is completed Granby will operate alongside Marketing Solutions, the sales promotion consultancy acquired by BMP in late 1984.

Given that Marketing Solutions produces concepts and design work for sales promotion campaigns and Granby executes them, the two companies will offer an integrated service.

"The acquisition of Granby represented an opportunity to acquire a company which was entirely compatible with our existing activities," said Mr James Best, BMP's corporate planning director.

"It will work with Marketing Solutions to offer a much fuller service to our clients."

Granby is expected to produce pre-tax profits of £1m in the year to June 30, while Marketing Solutions produced almost a third of BMP's pre-tax profits of £3.9m in its 1985 financial year.

The acquisition of Granby will be made in cash, with an immediate payment of £4.6m and further profit-related payments of up to £2m.

The acquisition will be financed by the proceeds of a two-for-seven rights issue, which will create 3.87m new ordinary shares in BMP at 250p a share. The rights issue has been underwritten by the merchant bank, Kleinwort Benson. On the announcement of the issue BMP's shares fell by 5p to 290p.

After Granby, BMP plans to look further afield for acquisition opportunities.

"There are a great many areas of the sector in which we are not yet represented," said Mr Best. "We have no immediate acquisition prospects in our sights, but we do not intend to sit on the cash from the rights issue for very long."

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
George Blair	§1.55	—	nil	2.7	nil
Estates & Agency	3	Aug 12	3	3	3
Fashion & General ...	17	Sept 2	9.8	27	15.8
Ferranti	1.15	Sept 26	1.04	1.7	1.56
GEC	2.9	—	2.65	4.3	4
Kode Intnl ....int	4	Aug 11	1.75	—	5
Lincroft Kilgour ...int	¶2.5	Sept 4	2	—	7
Lister & Co	1	Oct 17	0.25	1	0.25
Longton Ind ...2nd int	3	Aug 1	2	4	3
G. F. Lovell	3.5	—	3	3.5	3
LPA Inds ....int	‡1.4	Aug 8	1.17*	—	2.5*
A. Monk	4.5	Sept 1	4.5	6.5	6.5
Northern Foods	3.75	Aug 22	3	8	7.25
Pepe Group	‡1.8	Oct 1	1.5	3.3	1.5
Reed Executive	†3	Oct 13	2	4.5	3
S & N Breweries	4.82	Sept 1	4.19	7.01	6.09
Throgmorton Tst ...int	2.75	Aug 28	2.75	—	8.35
TSL Group ....int	1	Aug 22	1	—	3

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ To reduce disparity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Allied Textile, Microgen, Trusthouse Forte.

Finals: Amalgamated Financial Investments, Equity Consort Investment Trust, Hollas, Mountleigh.

FUTURE DATES

Interims—

Alexanders Holdings .... July 10
Burmatex .... July 29
City Site Estates .... July 9
Derby Trust .... July 24
Warner Holidays .... July 4

Finals—

Anglo Nordic .... July 4
Betleys .... July 10
British Bloodstock Agency ... July 22
International Leisure .... July 15
Platon International .... July 7
Tinsley (Eliza) .... July 29

UK COMPANY NEWS

Kone raises Biddle bid to match rival £6.8m

BY CHARLES BATCHELOR

Kone, the Finnish lift manufacturer, yesterday increased the value of its agreed takeover bid for Biddle Holdings, lifts and heating group, to match the £6.8m hostile bid from Myson, a UK heating and ventilation engineer.

The members of the Biddle family and associated trusts which had backed the original Kone offer of £6.4m with their combined 54.91 per cent stake said they wold support the increased offer.

Myson and Kone have been battling for control of Biddle forthe past month since Myson intervened on May 30 with an announcement it was ready to top the first Kone bid. On June 17 it launched a £6.8m bid.

Kone is now offering 170p in cash for Biddle or the equivalent in unsecured loan notes. Biddle's sole independent director, Mr S. Kock, and Biddle's merchant bank, County Bank, recommended acceptance.

Under the Kone deal Biddle's heating and air conditioning business will be sold to Aimberry, a company controlled by Mr Anthony Biddle, a Biddle director.

The Biddle family said the Kone offer was the ebst way of preserving family links with the company while also offering the quickest way of resolving the uncertainty that had affected the group since February.

Some members of the Biddle *family and their associated* trusts, owning a total of 31.9 per cent of Biddle, have agreed to sell their shares to Hambros Bank, Kone's adviser, for 160p per share. Hambros will vote these shares in favour of the Kone bid.

Myson intends to retain the Biddle heating and ventilation business, accounting for £9m of Biddle's £20m of turnover, if its offer succeeds. Myson has been expanding its activities recently and paid £42m for Thorn-EMI's heating division four months ago.

Biddle's shares were unchanged at 170p yesterday.

Buy-out at Burmah subsidiary

BY CHARLES BATCHELOR

Quinton Hazell, the automotive *products division of* Burmah Group, is selling Partco, its components distribution arm, to the Partco management in a buy-out worth about £9m.

Partco has a nationwide chain of 107 branches including operations in the Isle of Man and Jersey. It made sales of £43m *in 1985 and has £11.6m worth* of capital employed.

The sale forms part of Burmah's declared policy of disposing of the Quinton Hazell *businesses to concentrate on a* narrower range of activities, *including Castrol lubricants,* speciality chemicals and liquefied natural gas distribution.

The Partco management team is headed by Mr Peter Redfern, *formerly a Quinton Hazell main* board director and chief executive designate of the independent group.

The buy-out has been organ*ised by the Birmingham-based* Sharp Unquoted Midland Investment Trust (SUMIT) and Candover Investments through a newly-formed company, *Wrapbond.*

The main equity backing has *come from Globe Investment* Trust, Scottish Eastern Investment Trust, SUMIT, Candover and the Hoare Candover Exempt Fund. Bank finance is *provided by the Bank of Scot*land.

Other members of the Partco management team are Mr Chris Scott, financial director, Mr Peter Edge, marketing director, and Mr John Wilne, operations director. Mr Tom Budgen, formerly a director of Leyland International, will become chairman.

Dawson buys two US textile companies

By Lionel Barber

Dawson International, the *quality knitwear* group, yesterday announced it was buying two specialist US textile businesses in deals together worth up to £30m.

It is to acquire for up to £20m API which employs 1,000 people at four plants in New York, Los Angeles and Sardis, Missis*sippi,* specialising in fashion shower curtains and related accessories.

It made $5.6m (££3.73m) pretax profits on sales of $68.8m (£45.8m) for 1985, and was the subject of a leveraged management buy-out in 1982. Shareholders funds at the end of 1985 stood at $9.3m (£6.2m).

Dawson is paying about £10m for Duofold Inc which specialises in winterweight underwear and sportswear. It sells at premium prices through more than 2,000 speciality sporting foods stores, ski shops and mail order houses.

Mr Ronald Miller, Dawson chairman, said yesterday that his company had been looking at both businesses for more than a year. Along with J. E. Morgan Knitting Mills, a US manufacturer bought by Dawson two years ago for £30m, group sales in the US would now be boosted to almost £120m.

Dawson is paying for API via a vendor placing of 7.59m shares which has raised £18.9m. A further £1.1m will be payable depending on trading for the year to December 31 1986.

Payments for Duofold will be financed from Dawson's existing cash resources in the US. For the nine months to March 1987, Duofold turnover is expected to be about $17m and to break even. In the following financial year, it is expected to make a useful contribution to costs.

Ace Belmont

Ace Belmont International, *Beverley-based manufacturer* of caravans, increased its pre-tax profits from £109,000 to £610,000 in the six months to February 28 1986, and sales improved *from £17.27m to £19.09m.*

The directors said they believed the company's leading position in the caravan market would continue to be strengthened.

Bank interest charges during the half were down from £42,000 to £13,000. Stated earnings per £1 share of this close company were 24.1p (0.24p)

BBA £12m agreed deal

BBA, fast-growing automotive products group, yesterday announced an agreed deal with FM Ariadne Australia for the purchase of the clutch and brake manufacturing division of its subsidiary, Repco Corporation, in a deal worth around £12m.

The deal would add around £62m to BBA group sales which for the year ending December 1985 amounted to £229.5m. The purchase price will be financed via a medium-term loan facility in Australian dollars arranged with an Australian bank.

The value of the assets to be bought amount to £16m, though this is subject to an audit on June 30 1986. Repco's division is the principal supplier for the 300,000 cars produced annually in Australia. BA intends to expand sales in domestic nad export markets.

Hobson reorganisation

Hobson, the USM-quoted venture which came to the market in 1984 to develop a new process for making extrusion dies, yesterday announced a drastic re-organisation which will give control to a privately-owned company called Hawknote.

Hobson has been bedevilled since its flotation by acri*monious* boardroom disputes between Mr George Nicholson, one of its co-founders, and other directors. It has yet to trade, and yesterday announced *losses of £209,000 (£68,000) for* the year to December.

The company is to raise £740,000 through a two-for-five rights issue of 4.2m shares at 5p a share and the issue of a further 11.5m new shares to Hawknote at the same price.

Hawknote, a company acquired for the purpose by Mr S Sharp of accountants Hunter, Jones, Halford, has agreed to underwrite the rights issue on condition that it should have control of over 50 per cent of the voting rights

Hobson said the development period for its process had ex*tended far beyond* that envisaged and that an injection of new capital was essential

Hillsdown agrees £3m takeover

Hillsdown Holdings has reached agreement to acquire North Devon Meat, a farmers' co-op which operates an abbatoir and related processing facilities in Devon.

Terms of the offer are 120p in cash for each NDM share or two new Hillsdown shares for every five NDM. The offer, which values the meat company at £3.1m, is strongly recommended by its directors.

Hillsdown's cash terms are 47p above the price offered by Meadow Farm Produce. North Devon Meat had a turnover of £58m in 1985/86 and incurred a loss of £556,000 pre-tax.

Barker & Dobson suspended

By Charles Batchelor

The shares of Barker & Dobsen, the troubled confectionery group, were *suspended* from trading on the stock market yesterday at the company's own request pending an announcement, which is expected today.

A *new management team* headed by Mr John Fletcher, formerly managing director at Asda, has been revamping the Barker business over the past year.

It suffered a pre-tax loss of £5.82m in 1985, up from the previous year's loss of £1.43m but ongoing confectionery activities made a small profit after losses previously.

At the suspension price of 19½p Barker is valued at £47m on the stock market but brokers speculated the company might itself be planning to unveil an acquisition rather than announce that it was the subject of a bid.

Last November Barker bought James Keiller, the marmalade and butterscotch maker, from the private Okhai *Group, for £5m.*

Vickers purchase

Vickers, the engineering and Rolls-Royce Motors group, is paying about £14m for Kamewa of Sweden, a marine propulsion equipment maker previously owned by Nordstjernan, a Swedish industrial group.

Vickers has paid £11.2m in cash with the balance due in two instalments by July 1987 depending on the degree to which net assets of Kamewa are higher or lower than £12.7m. The maximum payment would be £14.7m, the minimum £11.9m.

Ambrose Investment

It is the present intention of the *directors of* Ambrose Investment Trust to consider a suitable arrangement on the liquidation of the company by which capital shareholders will be offered the alternative of realising their holdings, or to exchange their holdings for other securities.

UK COMPANY NEWS

UK side behind a 19% jump at Northern Foods

STRONG GROWTH by its milk and dairy operations and milling and baking activities enabled **Northern Foods** to lift its 1985-86 profits from £55.4m to £66.1m at the pre-tax level, a rise of 19 per cent.

The results, announced yesterday, were in line with City expectations but by the close of business the group's shares were still 6p lower at 292p.

All UK operations were well ahead—profits here surged by 31 per cent to £59.5m, helped by acquisitions.

In the US, performance was held back by poor results from Dak Foods and Southern Belle. Both companies have been sold since year-end.

The directors said the outlook was for strong organic growth in all UK divisions with increasing benefits from acquisitions and a return to growth in the US.

Turnover for the past year (to March 31 1986) improved from £1.27bn to £1.48bn and gross profits advanced by £55m to £256.4m. Distribution costs accounted for £115.9m (£89.9m) and administration expenses for £69.5m (£55.2m).

Pre-tax profits took in other operating income of £2.1m (£3.6m), a £4m (£3.8m) share of related companies results and investment income of £6.8m (£9.9m).

There were £15.8m (£16.7m) of interest charges and £2m (£1.5m) for the profit sharing scheme.

Earnings worked through at 20.13p (19.26p), after tax of £22.5m (£13.9m) and same-again minorities of £1m, and a final dividend of 3.75p raises the total by 0.75p to 8p net per 25p share.

There were also extraordinary provisions of £1.6m, up from £0.8m.

A divisional breakdown of profits shows: milk and dairy products £24.9m (£21.5m), meat products £16.6m (£15.6m), milling and baking £12.5m (£8.5m), brewing £0.5m (£1.9m) and other activities £2.1m (£3.7m). Unallocated interest accounted for £7.5m (£1.9m).

The dairy division benefited from the acquisitions of the northern milk interests of Unigate, Liverpool, and Dairy Crest, Staffordshire. Liquid milk market share improved from 8 per cent to 13.5 per cent.

Milling and baking profits showed an improvement of 47.1 per cent and there was "outstanding" progress on biscuits and cake.

Profits of the meat division rose by 29.7 per cent—the group added Bowyers (Wiltshire) to this sector via a £21m purchase from Unigate

Northern Foods, based in Humberside, is a leading supplier of own-label products to Marks and Spencer, Tesco and other multiple retailers.

See Lex

Kode at £0.9m and recovery under way

Kode International recovered strongly in the opening six months with profits surging from a depressed £101,000 to £928,000 at the pre-tax level.

The directors said the improvement was a result of the positive decisions and management changes made during 1985, which enabled all trading companies to achieve increased profitability.

In the light of the results the interim dividend is being stepped up by 2.5p to 4p net per 25p share.

Turnover for the first half (to June 13 1986) declined from £14.78m to £12.26m—the group manufactures computer equipment.

Tax accounted for £346,000 (£40,000) to leave earnings at 10.3p, an improvement of 9.2p.

The order book of Kode Ltd, supplier of micro-computers and computer peripheral equipment, was at its highest ever

● comment

Kode International's shares have risen steadily since their nadir of 65p at the interim stage last year and surged 40p to 275p yesterday when this set of results surpassed even the most optimistic of analysts' expectations. Selling off the ailing Byte Shops, yet retaining the maintenance division, was one of the most sensible things the new management team could have done. The maintenance division—the chief attraction for Kode in Byte in the first place—is now integrated with KSL and not only buoys that division's profits, but enables Kode to offer a comprehensive service across the group. Meanwhile Kam—the chief catalyst of last year's interim losses—has been restored to profit and, after a stringent cost cutting programme, should show further growth. The City expects profits of £1.75m for the year as a whole and a prospective p/e of 13. Having nursed the company back to profit—and eradicated borrowing in the process—Kode's management is eager to expand again and is scouting about for acquisitions in the precision engineering and maintenance fields. Although judging by the rapid rise in the share price, Kode could turn into an acquisition target itself.

Lister profits surge past £2m mark

Lister & Company, the Bradford-based branded homeware and fashion textile group, increased profits sharply in the 1985/86 year from £765,000 to £2.12m.

Mr Justin Kornberg, the chairman, said that "these record results were achieved following the re-equipment and streamlining of production in a continuing period of readjustment for the textile industry worldwide." Group turnover expanded by £7.5m to £46.98m in the year to March 29 1986.

Lister accompanied the results with a quadrupled dividend. Earnings per share were 11.38p (3.37p)

Longton Industrial

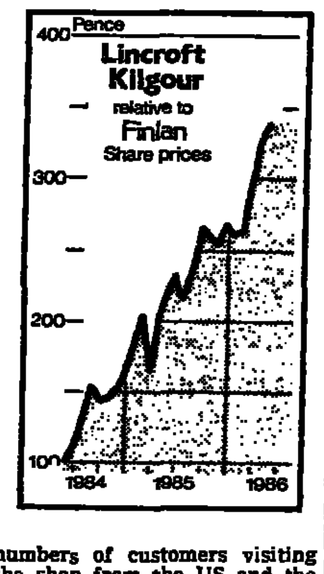
Virtually unchanged full year pre-tax profits—£1.16m against £1.15m—by **Longton Industrial Holdings**, a Stoke-on-Trent holding company with interests in transport, storage and distribution, and steel stockholding and engineering.

A second interim of 3p (2p final) was declared for a total of 4p net (3p). Stated earnings per 25p share were 13.2p against 13.1p.

Turnover for the year to March 31 1986 was also little changed at £52.99m compared with £52.05m.

Royalty income rise lifts Lincroft Kilgour to £0.7m

BOOSTED by its cloth merchanting operations and franchise and royalty income the **Lincroft Kilgour Group** saw its profits before tax rise from £651,400 to £703,200 in the year to end-March 1986.



Turnover improved from £4.17m to £4.26m and trading profits showed an advance of 15 per cent at £452,800.

Earnings came through 1.8p ahead at 9.9p and the interim dividend is being stepped up by 0.5p to 2.5p net, although the directors said the increase was due to reduce disparity and should not be taken as an indication that the final will be raised.

The textile operations made a satisfactory start to the year and raised cloth merchanting continued to perform well. In increased its profits contribution from £301,1000 to £345,400. Franchise and royalty income improved from £85,600 to £104,000.

There was a £1.5m downturn from bespoke tailoring to £38.9m. This was due to the start-up costs of effecting a modest increase in production capacity.

The directors said the division had a considerable amount of work in hand although the numbers of customers visiting the shop from the US and the Middle East had fallen sharply in the past two months.

The group's investment portfolio again provided a useful return from realised gains. Moreover, the reserve of unrealised gains increased over the first six months from £481,800 to £891,400.

Throgmorton Trust net assets rise

Throgmorton Trust had a net asset value of 385.2p at end-May 1986, compared with 307.4p a year earlier. Net revenue for this investment trust improved to £2.59m for the six months ended May 31 1986, against a previous £2.21m.

The directors are paying a same again 2.75p interim dividend and they anticipate that the total for the year will not be less than last year's 8.35p.

After tax of £1.12m (£943,000), earnings per share are shown up from 3.88p to 4.56p.

Last month Throgmorton Investment Management Services, which manages the four Throgmorton investment trusts, agreed to a £12.5m bid from Framlington Group.

IN BRIEF

GEORGE BLAIR, maker of cast steel products, made £776,000 (£452,000) pre-tax in year to March 29 1986, on turnover of £19.4m (£16.7m). Final dividend 1.55p (nil) making 2.7p (nil). Company's shares are traded on the over-the-counter market made by Granville & Co.

YEARLINGS—The interest rate for this week's issue of local authority bonds is 9⅞ per cent, down 1/16 of a percentage point from last week, and compares with 12 per cent a year ago. The bonds are issued at par and are redeemable on July 8 1987. A full list of issues will be published in tomorrow's edition.

PLANTATION TRUST, which came to the market 15 months ago, achieved taxable profits of £186,274 in the year to end-March 1986. Dividends and interest received totalled £557,463. Dividend was 0.75p. No comparisons available as results were for first year of operation.

CRAIG & ROSE, paint manufacturer, reported lower pre-tax profits of £47,000 (£66,000) for 1985, but it is holding the dividend total at 47p with a same again 39p second interim. After tax of £8,000 (£11,000), earnings came out 16p lower at 38p per £1 share.

EPICURE HOLDINGS, the construction services, hotels and property group, has adopted the policy of reporting interim results after four and eight months, and its first four-monthly figures to April 30 show pre-tax profits of £214,000. Turnover in the first four months was £6.81m. Interest charges were £252,000, tax took £107,000 and there was a minority debit of £11,000. Stated earnings per 5p share for the period were 0.33p.

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UK COMPANY NEWS

Semiconductor recession takes toll of TSL profits

SHARES IN the TSL Group plummeted by 60p before closing at 180p, down 55p yesterday after the company, a maker of vitreous silica, announced a severe fall in first half profits from £1.28m to £69,000 pre-tax.

Formerly known as TSL Thermal Syndicate, the company blamed the profits fall on the recession in the semiconductor market. Mr W. H. Wilkinson, the chairman, said the recession "hit us later than some other companies but it has been more severe and has lasted longer than we, or indeed the experts, predicted."

"As a result our sales in the US and Japan have been seriously reduced and our performance in the UK and to a lesser extent in some other European countries has been affected."

He said that market conditions for other products had been sluggish, and added that "our export sales to Japan have suffered from the general recession affecting that country. Conditions for our customers in manufacturing in the US too have been far from buoyant and sales at TAFQ (a subsidiary) have suffered accordingly."

TSL's associate company in Japan was still not profitable "despite the efforts of our partners," said the chairman, stressing that its loss figures "have been exacerbated by the strength of the yen."

Group sales for the six months to end-April 1986 were lower at £9.43m (£9.74m). The chairman said that there were some signs that the general market conditions had bottomed out but warned that "a real recovery in the semiconductor field is needed before satisfactory profits can be achieved."

An unchanged interim dividend of 1p was declared. Earnings per share were 0.4p (8.7p).

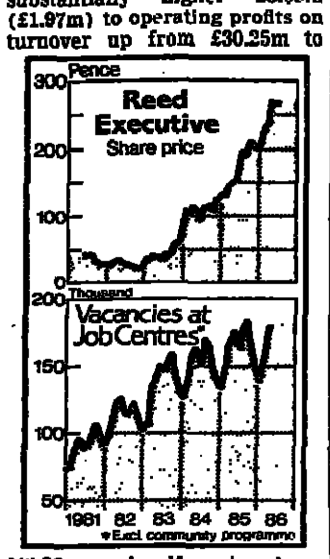
● comment

The semiconductor industry may not account for much more than a quarter of TSL's overall business but its problems have undoubtedly holed the group below the waterline. In all TSL lost £½m in the US, Japan and on the Scottish company it bought last year to strengthen its semiconductor involvement. The bulk of the losses came from Japan but if it can persevere the Japanese associate should come right when semiconductors eventually bounce back. To date TSL has not indulged in frantic efforts to cut overheads so there would seem scope to improve earnings should an aggressive bidder loom at this low point. Even as it stands the second half ought to be able to produce at least £½m pre-tax, perhaps more. After yesterday's 55p collapse to 180p—underperforming the market by nearly 70 per cent since the high point of 14 months ago—the shares are on a meaninglessly high p/e and not yet at the point to rush in on recovery grounds.

Growth on all sides for Reed Executive

SECOND HALF pre-tax profits of £2.25m against £1.31m were achieved by Reed Executive, and brought the total for the year ending March 29 1986 to £3.55m, a 60 per cent improvement on the previous £2.22m.

Both sides of the groups' activities contributed to the profits increase. The employment agencies contributed a substantially higher £3.09m (£1.97m) to operating profits on turnover up from £30.25m to £42.96m, and self-service drugstores profits were £576,000 (£342,000) with sales at £26.67m (£21.44m).



Shareholders can expect a 50 per cent rise in dividend payments, with a final of 3p (2p) bringing the total to 4.5p against 3p. Earnings per share are shown well ahead at 22.36p (12.06p).

The pre-tax result was struck after interest payments of £117,000 (£99,000).

DBE Technology down to £0.14m

AN EXCEPTIONAL item of £42,000 and a £76,000 increase in interest charges contributed to DBE Technology Group suffering a downturn from £387,000 to £135,000 in pre-tax profits in the 53 weeks to March 30 1986.

The exceptional item was compensation to a former director for loss of office. This electro-acoustics company — its shares are traded on the Unlisted Securities Market — received £3.93m (£3.18m) for work done.

After a tax credit of £14,000 (£175,000 debit), net profits came out at £149,000 (£212,000). Stated earnings per 10p share fell from 2.3p to 1.6p.

Mr Don May, chairman, commenting on the figures, said: "The reduced level of profitability on the year is a direct result of the substantial investment made to develop the group from its original R and D base into an established defence contractor with the ability to blinking in the daylight, as a new kind of company—one with the production capability to deal with the large, juicy contracts the world's defence departments have to offer. The MOD's gradual switch from "cost plus" contracts to competitive tendering has allowed DBE to attempt its metamorphosis and the long-term aim of 30 per cent export business should give protection against a switch in defence priorities. Thanks to the costs of the investment programme, all the profits came in the last quarter and that gives the company confidence it can achieve a substantial profits increase this year. With order books virtually full for the year ahead, profits of £600,000 look achievable which, on a return to a full tax charge, puts the shares, up 3p to 50p, on a prospective p/e of 12. The cautious investor might wait until after the traditionally poorer first half figures before committing funds on the growth potential of a company with a 190 per cent gearing level.

● comment

DBE is struggling to emerge out of its chrysalis to stand,

Interest rates affect Estates & Agency

Estates & Agency Holdings saw pre-tax profits in 1985 fall from £366,000 to £290,000, mainly due to short-term interest rates being 2.5 percentage points above those prevailing in 1984.

Earnings per share, however, improved from 3.51p to 5.2p. Attributable profits were £306,000 (£215,000), reflecting a tax credit of £25,000 (charge £152,000). An unchanged 3p dividend was proposed.

The company, engaged in property investment, had gross rental income of £1.51m (£1.11m). Net rental income was higher at £1.32m (£1m), but finance and administration costs rose by £400,000 to £1.23m.

During the year, Mumford industrial estate in Plymouth was bought for £590,000. At the same time, certain long-term leasehold interests in this estate were acquired for a total £850,000—current annual rental income from this investment is about £145,000.

Bristol Oil losses rise

THE DOWNTURN in the oil and gas industry dented the optimism expressed at the halfway stage by British Oil & Minerals. When reporting an interim pre-tax loss of £1.44m the company said the second half would show a significant improvement, but losses for 1985 increased to £8.8m.

The auditors have indicated they intend to qualify the accounts in relation to adequacy of working capital, and the outcome of a claim against the company under an option scheme, both of which were the subject of qualification in the 1984 accounts, and the uncertainty over the valuation of some assets.

Mr Paul Bristol, chairman and chief executive, said the result reflected the change in the nature of the company following the downturn which meant the company had to write-down its oil, gas and mineral assets.

He added that the company was fortunate in having the management and development of land as one of its long-standing activities. Its main property assets are 400 acres of freehold land including a 14-acre industrial estate in Kent. Application for outline planning permission will soon be made for a business park, housing and a marina.

Turnover was down at £3.37m (£13.08m) with an operating loss of £2.6m (£2.67m), increased by a share of associates' losses of £2.23m (£673,000), net interest payable of £1.15m (£6.08m).

After extraordinary debits of £5.09m (£2.31m credit) loss for the year was £11.7m (£3.78m).

Losses per share came out at 16.35p (15.72p) and again there is no dividend.

G. F. Lovell

G. F. Lovell, confectionary maker, earned £147,000 pre-tax, against £18,000, during the year to April 5, 1986. Turnover was £3.55m compared with £3.14m.

Earnings per share were slightly more than quadrupled at 10.7p (2.6p). A higher 3.5p (3p) dividend was proposed.

The move to a new factory is near completion and the directors expected it to prove beneficial.

Modest growth for LPA

LPA Holdings achieved modest growth in the six months to March 31 1986, the directors said yesterday, but they believed that intense activity taking place behind the scenes indicated future progress.

The company, a USM-quoted designer and maker of industrial electrical accessories, improved its pre-tax result by just £6,000 in the first half to £412,000 on turnover ahead from £2.84m to £2.95m.

The interim dividend is 1.4p against an adjusted 1.66p for the one-for-five scrip issue in February. Earnings per 10p share increased to 4.24p (3.55p).

The directors stated that certain major contracts, expected to begin during the period under review, had failed to materialise on time.

Although the company's traditional industrial products continued to meet fierce competition, interest in more specialised and sophisticated products had continued to grow. This reaffirmed the directors conviction that an important part of the group's organic growth would be derived from additional specialised products.

The county is having to loosen the chains on expansion as it faces unfamiliar problems of motor industry job losses

Unlocking potential for growth

ON THE face of it, Bedfordshire has the potential to become a cradle of UK industrial and business growth again, but that potential remains locked up.

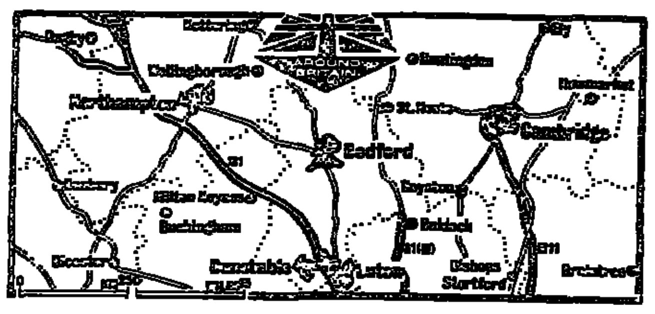
The problem is that Bedfordshire has not needed to do very much to preserve its economic stability for many years, so it has not put aside time and money to tackle problems.

General Motors, the county's largest employer, announced 1,700 voluntary redundancies in June at its Bedford commercial vehicle business — nearly a quarter of its workforce. This follows substantial losses and severe problems in world-wide truck and bus markets.

Job losses have also hit many other main manufacturing employers such as SKF and Electrolux. Bedfordshire is having to confront the need to provide jobs and stimulate its economy, but does not have the armoury to do so quickly.

To anyone unaware of the underlying economic malaise, Bedfordshire appears to be a pleasant county. It is a typical English shire, with rolling farmland and old villages around the large market town of Bedford.

Without being a major tourist centre, it has attractions such as Woburn Abbey, Whipsnade Zoo, Luton Hoo, the Shuttleworth collection of vintage aircraft and John Bunyan's birthplace at Elstow. The population has grown by only 50,000 or so between the early 1970s and the mid-1980s to about 500,000.



The county has always had a strong reputation for education. Bedford town's main industry is in some sense education, with its mix of state comprehensives and the private schools operated by the Harpur Trust.

Little wonder in some respects that the county's 1980 structure plan devotes much thought to what was thought to be the need to control growth. It called for some expansion of the local economy but aimed to restrict "excessive" growth which could attract more people than could be accommodated by available housing and land.

The recession led to amendments which have taken a more generous attitude towards the need to expand the industrial base.

Report written by Christopher Mansell

Until the early 1980s, regional and national policy had tended to see the new town of Milton Keynes in Buckinghamshire as the local magnet for new industry and housing.

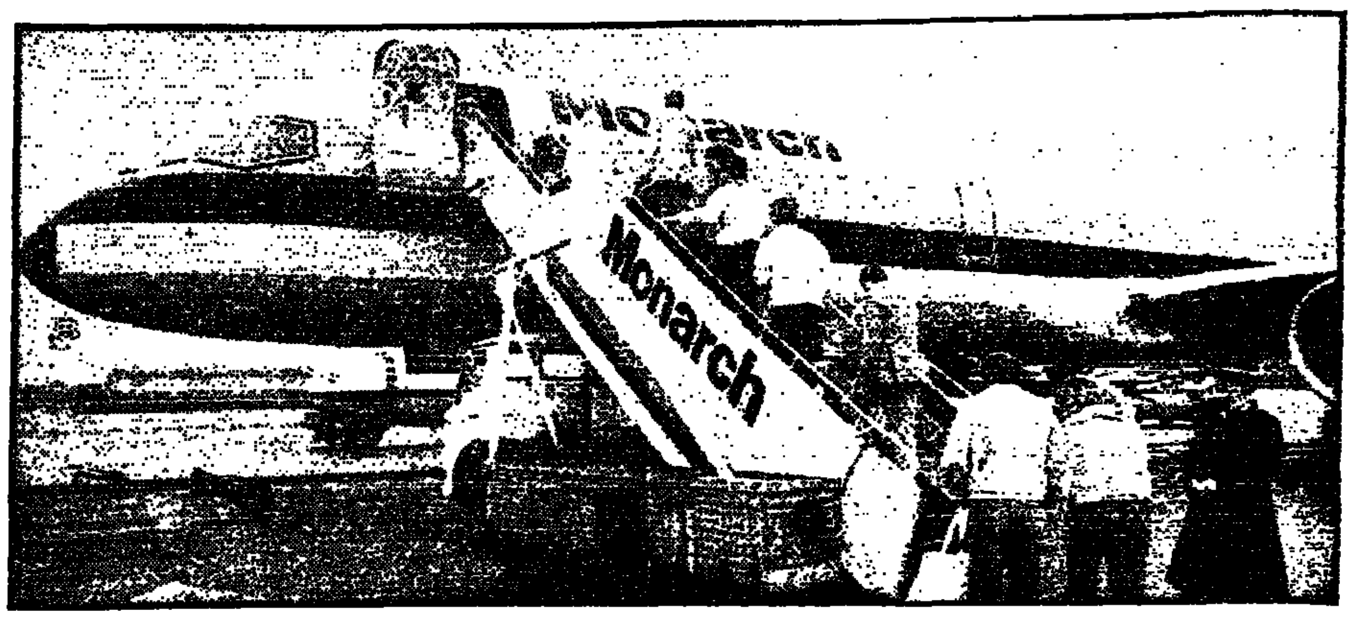
Other towns were also earmarked for faster development in the surrounding region, such as Letchworth, Stevenage and Cambridge.

Two other important considerations which cramped Bedfordshire were poor communications and pressure to preserve the green belt and the natural beauty spots.

Bedfordshire was passed by in development of communications in favour of bigger industrial conurbations. The rail service from London's St Pancras was electrified only a few years ago.

But much has changed. Bedfordshire now has very good communications and they are getting better. Its main centres are less than an hour away from London on electrified train routes to St Pancras, Euston and King's Cross.

Links are being improved to the east coast ports. Luton Airport has had a facelift and is set to expand its passenger capacity to 5m a year. Plans are under way or under consideration to extend motorway links to Heathrow and Gatwick airports and to by-pass Bedford. The M1, A1(M), A5 and A6 north-south routes run through the county.



Luton Airport is set to expand passenger capacity to 5m a year

Expansion of industry was envisaged around the twin poles of Luton/Dunstable and Bedford / Kempston, where the limited amount of land available for industrial expansion was largely concentrated.

In the mid-19th century, Luton was a centre for the hat industry, in which it still has a strong involvement. Bedford's identity as a market town only began to change character towards the end of the century with the introduction of the agricultural machinery business of Britannia Iron Works, and the establishment of the marine and electrical engineers, W. H. Allen and Sons.

Somehow, Bedford retained its identity as Luton did not, perhaps because Bedford has tended to suffer bouts of unemployment and industrial closures in keeping with its smaller industrial base.

Bedford lost the Britannia Works in the 1930s. More recently, it has suffered the contraction of London Brick—now part of the Hanson Industries conglomerate—which was its major employer of manual workers. This in turn has had a strong effect on the ethnic minorities — including Poles, West Indians, Indians, and Lithuanians—who have provided the base of Bedford's manual labour since the post-war years.

Bedford's main employer now is Texas Instruments, the semiconductor manufacturer where the opportunities are greater for skilled labour than for the pool of manual workers.

Luton's prosperity had always been built on engineering. George Kent, Vauxhall and the Commer car company together with the Swedish ball-bearings manufacturer, SKF had been attracted as part of an initiative of the town council and the chamber of commerce to promote Luton as an industrial centre based on cheap land, cheap electricity, and an available pool of labour.

In the 1930s, Luton managed to hold a 2 per cent rate of unemployment, compared with 17 per cent in Bedford and 30 per cent in many parts of the country.

Luton developed a broader industrial base than Bedford but as Vauxhall was taken over by General Motors and Commer by Humber in the mid-to-late 1920s, the car industry assumed a dominant role.

This was enough to keep Luton living off the fat of the land while all was well with the car industry. When all ceased to be well, the problems started and the effects are felt throughout the town, among suppliers, component makers and the service industries linked with the local giants.

Property

Demand and rents hit by recession

AVAILABLE land is scarce in Bedfordshire. In keeping with the local policy of controlling population and industrial growth, only limited amounts o land are released around the main industrial centres.

Local authorities are planning for 423 hectares of extra land for industry and warehousing and a further 291,000 sq metres of office floorspace in the attempt to create 40,000 new jobs by the mid-1990s.

Milton Keynes was meant to handle much of Bedfordshire's demand for new housing and absorb any excessive population growth.

All this ought to have meant high property prices, and certainly housing in the wealthier parts of Bedfordshire is as expensive as anywhere. But lack of population growth combined with the relatively late improvement of commuter links to London have limited the growth in prices.

In both the main centres of Bedford and Luton development has been restricted by low demand and by rents developers regard as insufficient to warrant major schemes.

Chartered surveyors McNeill Richardson point out that in Bedford, for example, the institutional property investors have over the past year been more interested in shops. They have not favoured office and warehouse developments because of a lack of real growth in rents.

The Harpur/Howard Shopping Centre, fully established five years ago, has also hit the high street trading levels.

Office rents are just below levels which justify speculative development. The Trinity Gardens refurbishment fetches as high as £6 to £7 a sq foot, but basic standard office accommodation reaches only £5.50 to £6 a sq ft. This compares with levels in Luton or £7 to £8 for good quality space.

Bedford has been releasing land slowly and serviced industrial sites cost about £130,000 an acre against about £140,000 in Biggleswade and £100,000 an acre in Sandy.

Luton has seen a faster increase in office accommodation, partly with the growth of service industries and partly because rental values are nearer the level where development is merited.

The M25 has brought London much closer and raised rental levels. Parts of Luton such as the major development of the Arndale Centre, fetch high rents.

Planning consent has been given at Capability Green on the Luton Hoo Estate for a 900,000 sq ft business park. Construction will start in September.

Other major development sites include 32 acres in central Luton, and an estate to capitalise on the intended expansion of the Airport.

Agents Connells Commercial say Luton was until recently a market weak spot, poorly compared with attractions closer to London and to Milton Keynes.

New development in the office market is said to attract a reasonable level of interest at rents of £9 a sq ft. Existing offices tend to go at £7.50 a sq ft, and industrial accommodation at £3.25 a square foot.

Economy

Manufacturing hit hard

IN GENERAL terms, the same analysis serves for Bedfordshire's industrial problems as for any other part of the UK in recession, with the significant difference (perhaps in keeping with its shire county character) that the problems have occurred more gradually than in the great industrial heartlands.

Manufacturing industry has taken an immense buffeting, leaving closures and redundancies in its wake. Both Bedford and Luton have seen their dominant industrial giants, London Brick and Vauxhall respectively, go through hard times and suffered accordingly.

Both towns have seen unemployment move to higher levels though countywide the less industrialised areas have not borne the same brunt.

The answer, on the face of it, is to encourage the development of the so-called "sunrise" industries, high-technology and skill-based. But such industries tend not to recruit from the same pool of labour as traditional manufacturing. The conversion of unskilled manual labour, already replaced by increased automation, into skilled labour is a long, slow process.

Bedford's main employer, Texas Instruments, is the UK end of the US semiconductor manufacturing multinational. Its manufacturing demands have, however, no logical link with the kind of workforce made redundant as London Brick moved over to the manufacture of the modern Fletton brick.

It would give a false picture to suggest that the county's two main designated areas for industrial development are somehow wholly dependent on the fortunes of General Motors' Vauxhall or on London Brick. But Vauxhall is still a structural employer in terms of the number of local businesses wholly or partly dependent on it, and London Brick was simply a traditional employer.

Vauxhall, for example, has 6,800 employees in Bedfordshire, and its Bedford subsidiary, just over 7,000. Vauxhall alone spent more than £10m last year on service industries.

Bedford is not without diversified industry. The National Freight Corporation has moved there. Eaton Corporation maintains its Industrial Control and Power Distribution headquarters for Europe and Africa, Granada TV has a main office in the town, and Bedford also has strong printing interests.

But the overall picture is of a county town in which Bedford County Hall is the second largest employer.

Luton, in contrast, and Dunstable, which by proximity has developed as an overspill from Luton, is still heavily manufacturing-based. Just over 37 per cent of the workforce remains employed in the sector and it needs to attract diversified employment quickly.

When and if Luton Airport reaches a target of 5m passengers a year it will become an important counterweight, attracting more routes, more airlines and more service industries. But since it is not yet involved to any degree in freight business it has not so far achieved the goal of a major communications centre.

A conventional remark made about Luton is that it would have been more happily situated in the industrial Midlands, and is an oddity in Bedfordshire.

The town is also unusual in the presence of three other major and long-established multinationals in addition to General Motors—SKF, Brown Boveri and Electrolux (now part of Zanussi), but again each of these has shed labour in the downturn.

On the other hand, the Luton, Bedfordshire and District Chamber of Commerce points out that there is some buoyancy in the small business sector if its own growth in membership is anything to go by. It now boasts some 1,300 members and has moved to just outside the top 10 largest chambers in the UK.

But much of that smaller business would seem to have grown up for reasons not likely to affect the structure of Luton's industry. Small companies, for example, cluster round the growing airport or around the multinationals. They have grown up to a limited extent because unemployment has forced the creation of new businesses by skilled employees made redundant.

There is little consistency in the kinds of new industry being developed in the town, however. Like is not following like to create the kind of new industrial concentration that makes a long-term contribution to curing unemployment.

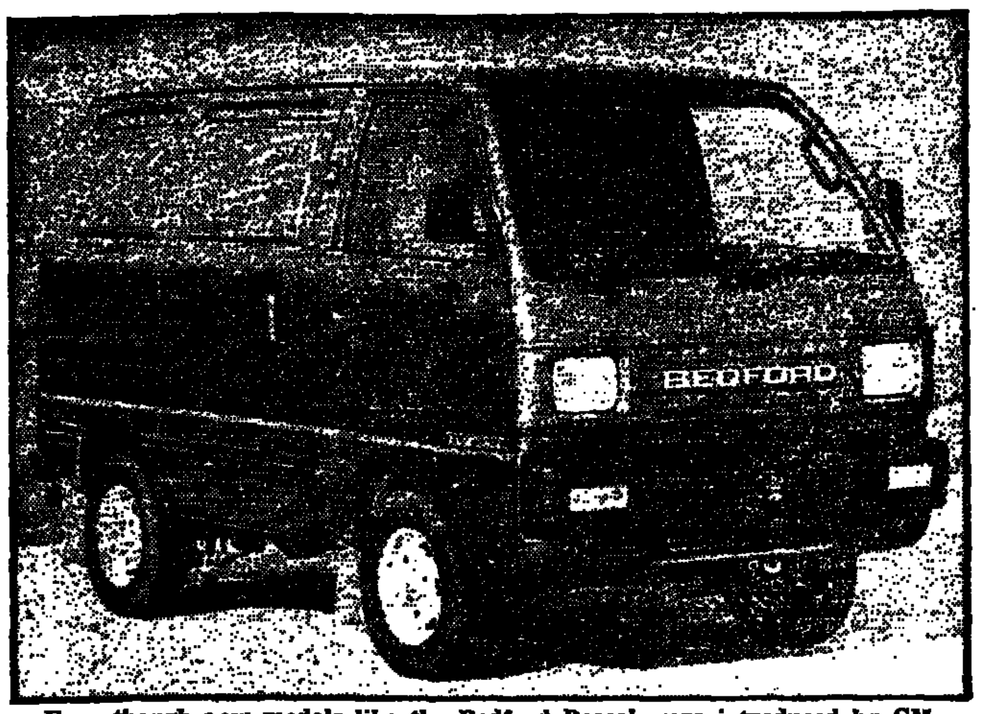
Although the county has its high-technology resources — Texas Instruments, Eaton Corporation, Microwave Associates at Dunstable, Marconi, Hunting Engineering, a Unilever research and development facility in the north of the county, to name only some—the overall impression is that once the dominant multinationals have been taken out of the equation the industrial progress of Bedfordshire has been ad hoc.

The Chamber of Commerce remains, as it did when it first stimulated industry in the county at the turn of the century, a very important force for the planning and generation of new business.

The irony is that the Chamber of Commerce only has a limited ability to influence the shape of the county's development.

While it can become engaged in initiatives like the formation of the Bedfordshire Chamber of Training, spend money providing training places on Youth Training Schemes, collaborate with the Manpower Services Commission on adult training programmes, its primary role is that of a businessman's club and a talking shop in the broadest sense.

What Bedfordshire lacks is a strong central authority to plan some of its development. In many other shires, that might be the county council, but this county council is hamstrung for lack of funds, by competition with Milton Keynes, London and other regional centres and by general planning limitations on further growth.



Even though new models like the Bedford Rascal were introduced by GM this year, workers have been laid off


With a mix of top private and state schools, education is one of the county's main industries

Industrial development

Local initiative needed

SINCE Bedfordshire is not designated as an area that qualifies for Government development funding, official efforts to attract new business to the county are limited to local initiatives, not all of which operate in harness and some of which are only just beginning.

The county council cannot offer incentives for companies to locate in Bedfordshire, so even people with a stronger belief in planning mechanisms have had to make a virtue out of shoestring operations.

There are three different official approaches to the generation of new business. The Chamber of Commerce is, for example, sponsoring a big business show at Luton Airport early in November.

The county council and district authorities take responsibility for promotional work, the finding of industrial sites and general advice and assistance to those wishing to set up or expand in the county.

In contrast to the major towns and development areas, the third, semi-official side of the development triangle is the tiny Bedfordshire and Chiltern Enterprise Agency, now five years old.

The agency is funded by local employers from Granada TV to National Freight, Vauxhall and Whitbread, and by the county and district councils.

Since the summer of 1981 it has helped in the creation of 210 small companies, including expansions of existing concerns, and created about 1,000 jobs in ventures ranging from shops to automotive design and component supply. Not all of them are in Bedfordshire, for the agency also covers parts of the Chilterns.

Becenta, as it is known, is now trying to set up a local venture capital fund working through the Business Development Scheme.

All these became involved, sometimes in different ways, sometimes together, in various aspects of training, but while there is some co-ordination they have separate approaches to the generation of new business and different constraints.

The county's resources are, however, far greater than might appear at first sight. For its size, Bedfordshire has much academic knowledge and skill. The Luton College of Higher Education has a well-respected department of management and organisational studies, which is actively involved in the training sector.

Then comes the Cranfield Institute of Technology, whose role as a management centre is national, but from whose activities some enterprises have spun off, such as Cranfield Moulded Structures. Cranfield operates its own technology park and is currently talking with local authorities about extending it, initially by about 10 acres.

These are not the only research institutions in the county. Cranfield extends its own umbrella over an agricultural faculty at Silsoe College and across the road is the National Institute of Agricultural Engineering. Not far away, at Sharnbrook, Unilever has a research and development facility. All these have common interests in, for instance, the application of biotechnology in agriculture.

Bedford supports the Aircraft Research Association and the College of Aeronautics, again having some common ground with Cranfield's areas of research.

Finance is not the main problem. Midland, Barclays, the Royal Bank of Scotland, Standard Chartered and the National Westminster all have regional headquarters in the county.

Bedfordshire also has some regional advantages for growth in high technology. Following the improvement of east-west roads it is now on an axis with Oxford and Cambridge and therefore well placed to reap some of the benefit of the Cambridge Science Park. The intellectual environment, at least, is there for new companies engaged in high technology.

But, as often happens, academic institutions do not mean as much as perhaps they should to the development of small industry.

With significant exceptions, Bedfordshire has not yet benefited from new industries as much as its conditions and environment probably merit, perhaps because of the relative slowness in the improvement of communications and perhaps because Luton, Bedford and Bedfordshire do not always see eye-to-eye.

Zambia Consolidated Copper Mines Limited and its subsidiary Companies

Operating and Financial Results for Quarter ended 31 March 1986

	Quarters ended 31 March 1986	Quarters ended 31 March 1985	Years ended 31 March 1986	Years ended 31 March 1985
Production (tonnes)				
Copper	115 436	131 528	463 354	525 811
Cobalt	1 329	1 054	4 565	3 654
Lead	1 436	2 625	7 684	10 294
Zinc	5 168	6 334	21 600	29 699
Sales (tonnes)				
Copper	128 067	133 657	614 461	570 115
Cobalt	509	910	3 468	3 504
Lead	1 306	2 533	6 950	10 386
Zinc	3 227	7 027	19 352	30 338
Average realisations (Kwacha per tonne)				
Copper	9 866	3 233	5 841	2 796
Cobalt	155 694	47 868	90 719	45 389
Lead	2 980	965	1 829	857
Zinc	4 970	2 054	3 172	1 810

Consolidated Profit and Loss Account (Unaudited and condensed)

	K million	K million	K million	K million
Sales	1 407.3	504.8	4 097.1	1 862.0
Cost of sales	885.3	404.7	2 911.5	1 484.0
Profit on sales	522.0	100.1	1 185.6	378.0
Closure costs	(28.0)	—	(28.0)	—
Share of associated companies' profits	4.5	0.7	4.5	0.8
Exchange loss	(227.6)	(38.0)	(558.0)	(93.3)
Interest receivable	8.3	3.0	14.1	6.2
Interest payable	(144.5)	(38.8)	(318.0)	(146.7)
Profit before taxation	134.7	27.0	300.2	145.0
Taxation (payable)/recoverable				
—Mineral export tax	(112.3)	(44.5)	(356.5)	(140.6)
—Equity levy	(0.2)	(0.4)	(0.4)	(0.4)
—Income tax	(1.2)	(1.2)	1.2	(3.3)
Net profit/(loss)	21.0	(19.1)	(55.5)	0.7
Earnings/(loss) per share	K0.23	K(0.21)	K(0.63)	K0.01

NOTES:
(1) The financial summaries are presented in Kwacha, the currency of Zambia.
(2) In some respects, the accounting principles adopted by the group differ from those used in the United States of America. The group's Annual Report Form 20-F to the Securities and Exchange Commission describes the major differences.
(3) At 31 March 1986, the exchange rates were K1=US$0.145 and K1=UK£0.098 and on 23 June 1986 K1=US$0.135 and K1=UK£0.090.

QUARTERLY REVIEW

Lusaka, 25 June 1986—Zambia Consolidated Copper Mines Limited (ZCCM) made a net profit of K21.0 million for the quarter ended 31 March 1986, compared with a net loss of K19.1 million recorded during the same period last year.

A company spokesman explained that during the quarter ended 31 March 1986, ZCCM recorded a profit on metal trading of K522.0 million, against a profit of K100.1 million in the March 1985 quarter. However, after taking into account an exchange loss of K227.6 million, net interest of K136.2 million, share of associated companies' profits of K4.5 million, taxation charges of K113.7 million and a cost of K28.0 million for closing certain units under the company's five-year investment and production programme, the company achieved a net profit of K21.0 million.

For the financial year ended 31 March 1986, ZCCM made a pre-tax profit of K300.2 million, but after taking into account taxation charges of K355.7 million, the company incurred a net loss of K55.5 million, compared with a net profit of K0.7 million last year, which was after charging taxation of K144.3 million, the spokesman said.

He said that during the quarter under review, ZCCM produced 115 436 tonnes of copper, which was 16 092 tonnes lower than the 131 528 tonnes achieved in the quarter ended 31 March 1985. For the year to 31 March 1986, copper production, at 463 354 tonnes, was 62 457 tonnes lower than the 525 811 tonnes produced in the previous year.

The spokesman attributed the lower output to the continuing shortages of spare parts and consumables.

Copper sales, at 128 067 tonnes for the March 1986 quarter, were 5 570 tonnes lower than the sales in the corresponding period of 1985. For the 1986 financial year, the company sold 614 461 tonnes of copper, compared with 570 115 tonnes sold last year. The spokesman pointed out that copper sales included bought-in metal.

The average sales price on copper, at K9 866 per tonne for the March 1986 quarter, was significantly higher than the K3 233 per tonne obtained in the same period of 1985.

The spokesman explained that the increase in the price of copper was due to the substantial depreciation of the Kwacha, following the introduction of the foreign exchange auctioning system in October 1985. This trend also affected prices of other metals, he added.

Cobalt production, at 1 329 tonnes, was 26 per cent higher than the production in the same quarter of 1985. Sales of cobalt, at 509 tonnes, were, however, lower than the 910 tonnes sold in the corresponding period of last year.

The average sales price of cobalt, at K155 694 per tonne, was significantly higher than the K47 868 per tonne realised in the March quarter of 1985.

Production of lead, at 1 436 tonnes, was 45 per cent lower than the 2 625 tonnes produced in the same period of 1985, while the zinc production of 5 168 tonnes was 18 per cent lower.

The spokesman said that, due to the declining demand, lead and zinc sales of 1 306 tonnes and 3 227 tonnes, respectively, were also significantly lower than the 2 533 tonnes and 7 027 tonnes, respectively, achieved in the March 1985 quarter.

Total sales revenue for the quarter ended 31 March 1986 was K1 407 million, representing an increase of 179 per cent over the K504.8 million for the corresponding period of 1985, the spokesman said.

The Board of Directors has not declared a dividend in respect of the quarter ended 31 March 1986.

The spokesman said the quarterly report detailing the company's operating and financial results for the quarter under review, will be issued to shareholders on 11 July 1986.

At 31 March 1986, the exchange rates were K1=US$0.145 and K1=UK£0.098 and on 23 June 1986 K1=US$0.135 and K1=UK£0.090.

FT LAW REPORTS

Unpaid seller cannot recover price

SHANSHER JUTE MILLS LTD v SETHIA LONDON LTD
Queen's Bench Division (Commercial Court): Mr Justice Bingham: June 25 1986

WHERE A contract for sale provides that payment for goods shipped free on board is to be by letter of credit on presentation of documents and the buyer complies with the contract and the credit, the seller cannot recover the price of shipped goods if the documents are justifiably rejected because of his failure to comply with the terms of the credit.

Mr Justice Bingham so held when giving judgment for the buyers, Sethia London Ltd, in a claim by sellers, Shanshar Jute Mills Ltd, for the price of jute yarn shipped on board under an fob (free on board) contract.

HIS LORDSHIP said that by a contract for the sale of jute yarn it was agreed the goods should be shipped fob and that payment should be by irrevocable and confirmed letter of credit. The terms and conditions of the Bangladesh Jute Mills Association (BJMA) were incorporated, clause 13 of which provided that "irrespective of the method of payment, the buyer shall remain responsible for payment of the full value of the goods shipped in accordance with this contract . . ."

The buyers opened a series of letters of credit each covering one monthly shipment. Consignments were shipped in November and December 1984 for which documents were presented under the relevant letters of credit and payment made.

The present proceedings concerned two consignments shipped on board on February 3 and February 18 1985. The buyers' bank, Oriental Credit of London, opened irrevocable letters of credit in favour of the sellers and, after shipment, the sellers submitted documents to their own bank, Sonali Bank in Dhaka, asking that the documents be negotiated and that they be paid.

Oriental Credit informed the buyers that there were discrepancies in the documents presented. The buyers replied that the documents were unacceptable because of the discrepancies and credit given to the sellers under reserve was reversed.

It appeared that the goods in the two disputed consignments were delivered to Antwerp and sold, perhaps in satisfaction of freight or warehousing claims. Neither buyers nor sellers derived any benefit.

The sellers accepted that the documents which they presented under the credit contained discrepancies and that the bank was entitled to refuse payment.

Their central contention was that a letter of credit was conditional payment only and that if a seller shipped the goods and failed to obtain payment under the letter of credit he was entitled to recover the price directly from the buyer. If that were open to doubt, it was argued, clause 13 of the BJMA terms resolved the doubt in the sellers' favour.

The buyers agreed that a letter of credit was conditional payment only, but contended that under the present contract it was the sole method of payment agreed. They said that while it might be open to a seller to claim against the buyer if the agreed method of payment failed through no fault of the sellers, that was not so where it resulted from the seller's failure to operate the prescribed machinery in the agreed manner. Also, they said, clause 13 did no more than make it plain that a letter of credit was not absolute payment.

The parties were right to agree that the letter of credit was conditional payment (see *Alan v El Nasr [1972] 2 QB 189*). The sellers never agreed that they would only look to Oriental Credit for payment whatever happened. Nor was the credit to be regarded as no payment at all but only a means by which payment might be obtained—a form of collateral security.

But to speak of a letter of credit as conditional payment of the price did not perhaps make it very clear what the condition was or how it worked.

If the buyer established a credit which conformed or was to be treated as conforming with the sale contract, he had performed his part of the bargain so far. If the credit was honoured according to its terms, the buyer was discharged even though the credit terms differed from the contract terms (see *Alan*).

If the credit was not honoured according to its terms because the bank failed to pay, the buyer was not discharged because the condition had not been fulfilled (see *Nigerian Sweets [1977] 2 Lloyd's Rep 50*). That made good sense because "the buyers promised to *pay* by letter of credit, not to provide by letter of credit a source of payment which did *not* pay" (Lord Justice Stephenson in *Alan*, page 220).

If, however, the seller failed to obtain payment because he did not and could not present the documents which the terms of the credit, supplementing the terms of the contract, required, the buyer was discharged (see *Ficom [1980] 2 Lloyd's Rep 118*).

In the ordinary case therefore, of which the present case was an example, the due establishment of the letter of credit fulfilled the buyer's payment obligation unless the bank which opened the credit failed for any reason to make payment in accordance with the credit terms against documents duly presented.

It must follow that as the sellers had not complied with the credit terms, they could not recover against the buyers personally.

Clause 13 of the BJMA did not alter the result.

Under the clause the buyer was to remain responsible for payment of the full value of all goods shipped in accordance with the contract. But that could not be read quite literally, since plainly a seller who had shipped goods in accordance with the contract but never made documents available to the buyer to enable him to get possession of the goods, could not recover the price. So "this contract" in the clause must mean the whole contract as varied or supplemented by the agreed terms of the letter of credit.

The clause made it plain that establishment of the credit was not absolute payment. That was in line with the law that a seller who had duly performed all the contract terms including presentation of documents under the credit, but who had not obtained payment, might continue to look to the buyer. That was not the present case.

Even if the court was wrong and the sellers were in principle entitled to seek payment from the buyers despite Oriental Credit's justified refusal in making payment, it had great doubt on the facts whether they were able to do so. It must be a prerequisite of recovery that the sellers should have presented the documents to the buyers and demanded payment. Here the documents were presented to Oriental Credit but were never presented to the buyers.

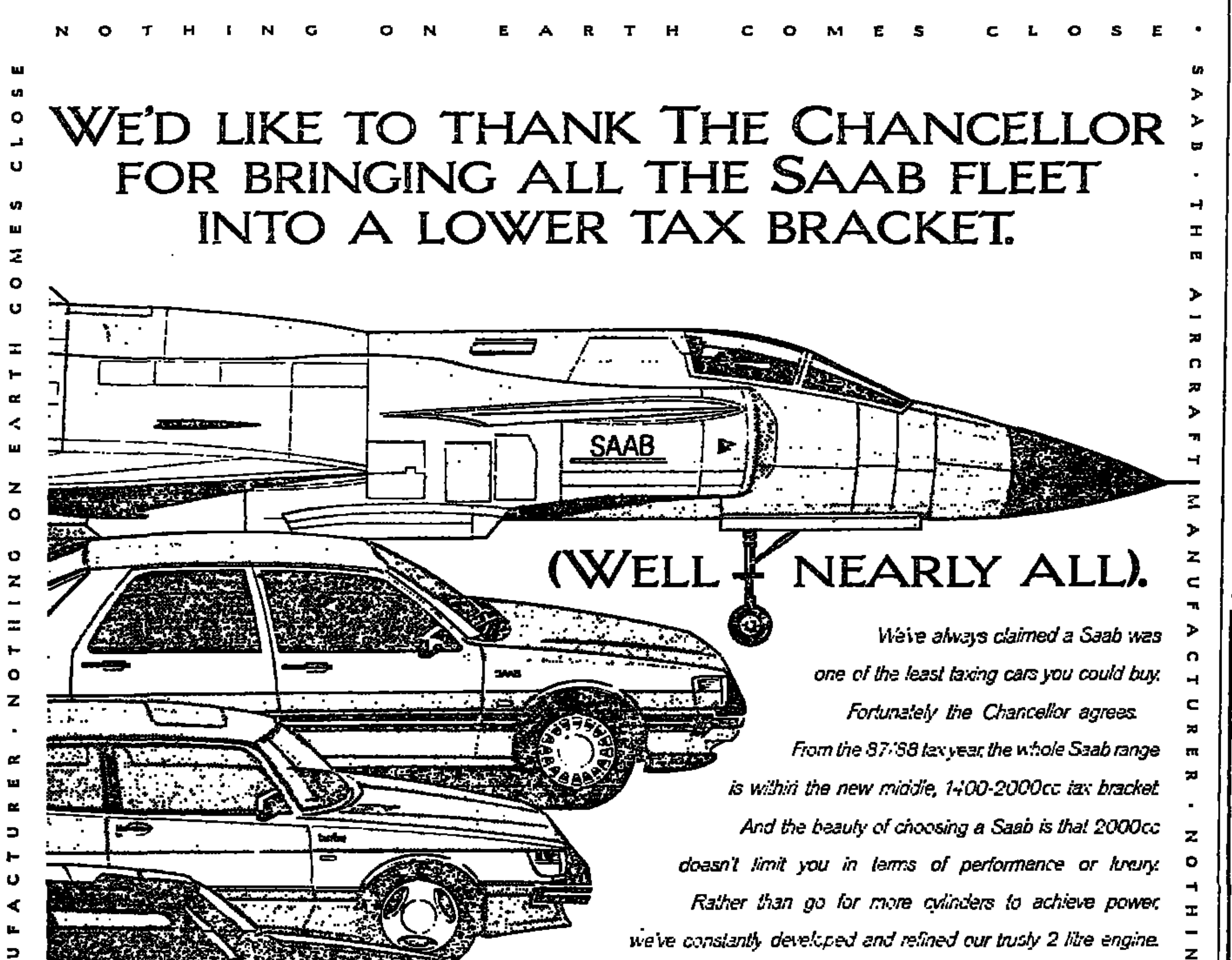
The action failed.

By Rachel Davies
Barrister

For the sellers: Paul Corben (ATM Abdullah and Co)
For the buyers: William Poulton (Samuel McCleery).

THESE REPORTS are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London, WC2B 6BD. 01-831 0291.

Motor Cars



Travel

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
FUJITEC CO., LTD.

Further to our notice of March 21, 1986 EDR holders are informed that Fujitec Co., Ltd. has paid a dividend to holders of record March 31, 1986. The cash dividend payable is Yen 5 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 11 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after October 21, 1986. Amounts payable in respect of current dividends.

Coupon No. 11 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$30.21	$25.68	$24.15

Depositary: Citibank, N.A. 336 Strand, London WC2R 1HB
Agent: Citicorp Investment Bank (Luxembourg) S.A. 16 Avenue Marie Therese

July 2, 1986.

European Investment Bank
7¼% 1972/1987 FF 175,000,000

Bondholders are advised that on June 13, 1986 Bonds for a total amount of nominal FF 16,900,000 were drawn for redemption.

These Bonds will be reimbursed, coupon No 15 attached, on and after August 1, 1986.

The drawn Bonds are those, not yet previously redeemed, included in the range beginning

at 620 up to 13962 incl.

Nominal amount purchased on the market: FF 600,000.

Nominal amount unamortized: FF 35,000,000.

Outstanding drawn Bonds, 9373 and 9374 9376 to 9380 incl. 9387.

Luxembourg, June 27, 1986

Fiscal Agent
KREDIETBANK
S. A. Luxembourgeoise

Legal Notices

No. 002785 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
TACE PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 16th June 1986 confirming the cancellation of the Share Premium Account of the above-named Company of £4,256,000 was registered by the Registrar of Companies on 19th June 1986.
Dated this 27th day of June 1986
Lovell, White & King
21 Holborn Viaduct
London EC1A 2DY

Clubs

Residential Property

Rentals

Overseas Property

Yachts and Powercraft

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	148	136	‡Accord Publications 5p	148	+2	Rd3.1	2.6	3.0	18.7
‖‖	F.P.	—	127	114½	‡Airsprung Group 10p	127xd	+5	5.4	2.8	6.0	8.4
150	F.P.	30/6	151	138	Alumasc Group	147	...	R5.25	2.5	5.6	10.1
115	F.P.	11/7	190	155	Arlington Sec. 10p	190	...	b1.7	4.3	1.3	26.1
150	F.P.	20/6	161	148	Barker (Charles) 5p	158	+3	u3.0	3.1	2.7	17.2
§145	F.P.	—	158	145	‡Beaverco 5p	147	+2	u5.0	2.4	4.8	11.7
§‖	F.P.	—	53	50	Bertrams Inv. Tst.	50	...	—	—	—	—
§37½	F.P.	—	39½	38	‡Bipel 5p	39½	+½	R1.225	3.1	4.4	9.9
147	F.P.	4/7	140	130	Blick 5p	138	......	R3.4	3.1	3.5	13.2
145	F.P.	25/7	175	154	Bredero Props	154	−2	R4.25	2.3	3.9	23.1
§60	F.P.	20/6	61½	54	‡Brit. Int. Airways 10p	56	....	bd2.82	2.1	7.1	7.8
§110	F.P.	18/7	115	100	‡C'bell & Armstrong 5p	100	....	u3.91	1.9	5.5	12.7
§130	F.P.	4/7	167	150	‡Clarke Hooper 5p	151	......	b2.3	2.9	2.2	22.7
‖‖	F.P.	—	98	85	Clarkson (Horace)	95	......	L4.75	1.5	7.0	13.0
§84	F.P.	—	91	85	‡Coated Electrodes 5p	86	......	u3.9	1.6	6.4	13.4
§155	F.P.	6/6	232	172	‡Davies (D.Y.) 5p	214	......	u3.4	2.7	2.2	23.1
§50	F.P.	11/6	63	50	‡Dean & Bowes 5p	63	+1	L2.5	1.5	5.6	17.0
§58	F.P.	4/7	64	59	Denistron Intl 5p	63	−1	u1.65	2.1	3.7	16.1
120	F.P.	17/7	123	111	Evans Halshaw	120	...	u3.38	3.1	3.8	7.9
140	F.P.	4/7	130	120	‡Fields(Mrs)Inc$0.05	125	+5	RQ4.5c	2.6	2.5	15.8
150	F.P.	25/6	155	150	Guthrie Corp	153	...	u5.3	2.2	4.9	9.8
140	F.P.	20/6	150	141	Haggas (John) 10p	146	+1	ud3.0	3.2	2.9	15.1
§85	F.P.	—	93	90	‡Hodgson Hldgs 5p	99	+2	R2.13	2.3	3.2	16.9
R30	Nil	—	325	225	Joel H.B. Linked Units	250	−25	—	—	—	—
145	F.P.	16/7	130	123	Lopex 5p	123	−2	R4.0	2.3	4.6	13.1
157	F.P.	26/6	157	145	‡Monotype Corpn 10p	156	+3	R4.4	1.6	4.0	15.5
165	F.P.	18/6	190	170	P-E International 10p	180	......	1.8	3.4	1.4	29.0
§100	F.P.	27/6	112	103	‡Savage Group 20p	112	+2	R3.0	2.5	3.8	14.8
§165	F.P.	—	184	175	‡Smallbone 10p	175	......	u5.0	2.1	4.0	16.3
—	F.P.	—	50	43	Smith Newcourt War'ts.	50	....	—	—	—	—
§40	F.P.	31/7	42	35	‡Soundtracs 5p	35	....	61.2	2.8	4.8	10.4
§95	F.P.	25/7	110	104	‡Task Force 5p	110	....	R1.78	3.8	2.3	16.3
112	F.P.	8/8	126	116	Tenby 50p	126	+6	u4.0	2.6	4.5	9.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	5/8	11ppm	4ppm	Amari 8% Cum. Conv. Red. Pref.	4½ppm	−½
§97.947	£25	—	26¼	25¼	Bankers Inv. Tst. 10⅞% Deb. 2016	25¼	−¼
§99.50	£10	28/8	9¼	8	Bristol Water 9.8% Red Deb '96	8½	.....
§99.256	£30	29/8	30¼	27¼	Brit. Alcan Aluminium 10⅞% Deb. 2011	27¼	−¼
§94.203	£25	31/10	25⅝	23¼	Brixton Est. 9.5% 1st Mort Deb 2026	23⅛	−½
109.89	£40	29/8	40	37⅛	Estates & Gen. 11¼% 1st Deb. 2018	37½	.....
§94.45	£30	31/10	30⅛	29¼	European Inv. Bank 9% Ln 2001	29⅞	−⅛
‖	Nil	4/8	7½ppm	5ppm	Friendly Hotels 5% Conv. Cum Red. Pref.	5ppm	..
§99.054	£40	—	40¼	39⅞	Gowett Strat.Inv.Tst.10⅞% Deb. 2016	39⅞	−⅛
97.963	£25	24/10	25⅛	19⅞	Gt. Portland 9½% 1st. Mort. Deb. 2016	19⅞	−⅛
105.523	£25	21/8	26	20⅛	Land Securities 10% 1st. Mort. Deb.25	20½	−⅛
‖	Nil	—	1½ppm	1ppm	Leigh Int. 6% Cnv. Cum. Red. Prf.	1ppm	−⅛
§99.951	£40	14/7	42	36¼	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	36¼	−½
§99.793	£25	24/9	24⅝	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21½	−¼
—	F.P.	—	100⅛	99⅞	Nationwide 9⅞ 15/6/87	99⅞	......
—	F.P.	—	99⅞	99	Do 9⅞% 6/7/87	99	−⅞
§97.50	F.P.	11/7	97⅞	96¾	Paribas Concorde Tst.9.364% Deb. 1991	96¾	−¼
§99.623	F.P.	30/6	100⅞	95	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	95	−½
§87.179	£30	26/9	30⅞	28⅛	Portugal 9% Ln. 2016	28⅞	−¼
§99.888	£40	1/8	44	38¼	Queens Moat 10¼% 1st. Mort. Deb. 2020	38¼	−¼
95.512	F.P.	—	96	95¾	Scot.Mort.6%—12%Sur'dlat.Deb.2026	95¾	......
§105	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	44½	−½
§99.480	£25	18/7	31⅛	24½	S.E. 10⅛% Mort. Deb. 2016	24½	−⅛
§99.50	£10	28/8	9¼	8	Sund. & S. Shields Wtr 9.8% Rd Db '96	8½	...
§48.835	F.P.	15/8	48⅝	47⅞	Tesco 4% Uns Deep Dis Ln 2006	47⅞	−¼
¶¶	F.P.	—	125p	113p	Tomkins (F.H.)5.5% Cum. Cnv. Red. Prf	123p	......
99.073	£25	8/8	25¼	22⅞	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	22⅞	−½
¶¶	F.P.	—	106p	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	104p	... ..
£100	£50	12/9	50¾	46¼	Witan Inv. 8½% Deb 2016	46¾	−½

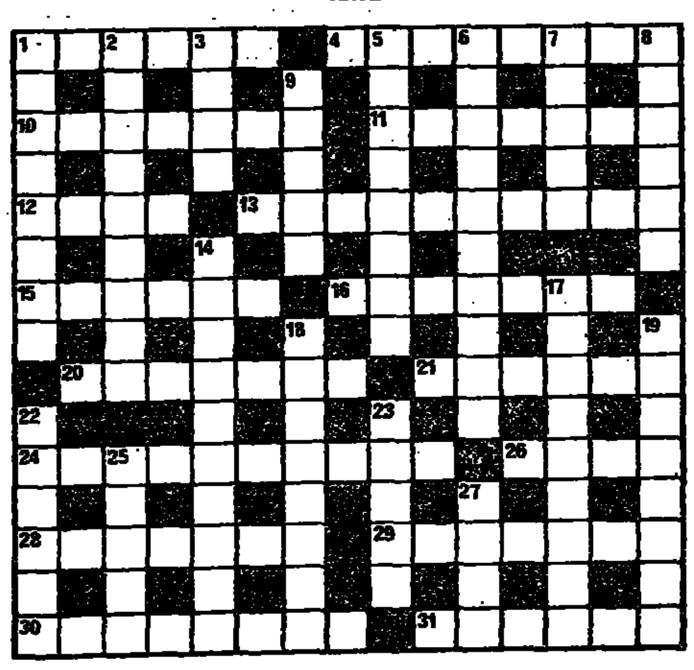
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
40	Nil	—	11pm	6pm	Anglo African Fin. 7½p	6pm	−1
470	Nil	—	200pm	100pm	Antofagasta Hldgs. £1	100pm	−12
55	Nil	—	½pm	¼pm	Bertrams Inv. Tst.	½pm	......
190	F.P.	8/8	235	218	Clifford's Dairies	225	+2
170	F.P.	8/8	197	192	Do A N/V	192	−5
465	Nil	—	92pm	80pm	Costain Group	96pm	+16
880	Nil	—	160pm	135pm	De la Rue	160pm	+15
47	Nil	15/8	17pm	8½pm	Five Oaks Invs.	17pm	+2
300	F.P.	24/7	345	328	Gerrard & Natl.	335	−3
148	Nil	—	28pm	26pm	Hestock Johnsen	28pm	......
215	Nil	—	63	58	Intl. Signal & Control 10c	63	......
235	F.P.	18/7	263	240	Lep. Group 2p	243	......
235	F.P.	11/7	270	247	McCarthy & Stone 20p	270	+10
45	F.P.	11/7	95	88	Molyns 20p	92	+2
200	F.P.	18/7	520	450	Nat West Bank £1	520	+2
18	F.P.	23/7	23	19	Neil & Spencer 10p	20	......
50	Nil	—	14pm	10pm	‡Pineapple Dance Studios 10p	12pm	−2
£14	Nil	—	500pm	500pm	Priest Marians £1	500pm	.....
½	Nil	11/7	2½pm	1¼pm	Rotaprint ½p	2¼pm	−¼
285	Nil	6/8	51pm	43pm	Scottish TV 10p	48pm	−2
25	Nil	—	4pm	3pm	Sovereign Oil & Gas	4pm	+1

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. p Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by lastest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,062

DANTE



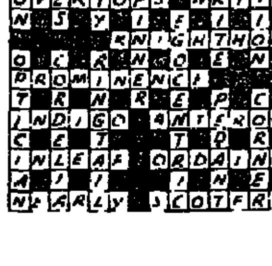
ACROSS

1 Dad having lost her, I get Mum to find her (6)
4 Classic example of feral cat running wild (4, 4)
10 One would have to go back in time to get it (7)
11 Beat a doctor in the final (7)
12 A revolutionary pain (4)
13 Solo, in fact, could be on this scale (5, 3-2)
15 Book a flight (6)
16 Working in the smithy, but not making good money (7)
20 He doesn't appreciate where the coal goes (7)
21 Noise in the distance from pigs (6)
24 Too proud to take lodgers, honest! (5, 5)
26 Never-ending trouble for a bird (4)
28 He has no faith in Castro (7)
29 It may qualify as part of an agreement (7)
30 Where one may see bellows-makers? (8)
31 A note sent out by representatives (6)

DOWN

1 It brings insects to a sticky end (3-5)
2 Try to land (5, 4)
3 They may be full of beer, the fools (4)
5 A sticky sweet (8)
6 It tells us when a fresh batch of mail gets in (4, 6)
7 Benefit a few and suffer for it (5)
8 Take some up to quarters (6)
9 Guided missile school hasn't opened (5)
14 When to be lenient? (7, 3)
17 Ran up a share account (9)
18 Is he in no hurry to act? (8)
19 Partition between pigs and birds (8)
22 A right squabble about the price-list (6)
23 Luggage vehicles (5)
25 Bid for a chest without a top (5)
27 Cheap price, though requiring a lot of notes (4)

Solution to Puzzle No. 6,061



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 — 01-588 1212

Eagle Mid. Unit	159.6	165.4	+3.0	4.54

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP — 01-606 6611

Far Eastern	141.2	148.6		—
Fd of Inv Tsts	126.7	133.4	+0.3	—
Gilt & Fixed Int.	117.0	123.2	−0.2	—
High Income	151.9	159.9	+1.3	—
Intnl Growth	97.0	102.1		—
Managed	127.3	134.0	+0.5	—
Money	105.5	111.0		—
North American	118.8	125.1		—
Pelican	138.7	146.0	+1.1	—
Property	105.0	110.5		—
Special Sits	146.0	153.7	+0.3	—
School Fee Managed	138.0	145.3	+0.7	—
Pension Funds				
Far Eastern	154.0	162.1		—
Fd. of Inv. Tsts.	134.7	141.8	+0.4	—
Gilt & Fixed Int.	122.6	129.1	−0.3	—
High Income	170.9	179.9	+1.8	—
International Growth	97.2	102.3		—
Managed	138.0	145.3	+0.7	—
Money	112.8	118.7		—
North American	123.7	130.2		—
Pelican	151.3	159.3	+1.6	—
Property	104.9	110.4		—
Special Sit	161.3	169.8	+0.4	—

Equity & Law
Amersham Road, High Wycombe — 0494 33377

UK Equities Fund	432.5	455.3	+3.9	—
Higher Inc. Fund	412.7	434.4	+3.8	—
Property Fund	259.2	272.8	+0.2	—
Fixed Interest Fund	239.5	252.1	−0.4	—
Index Linkd Secs Fund	107.5	113.1	+0.2	—
Gtd. Deposit Fund	172.7	181.8	+0.1	—
Nth. America Fund	245.2	258.1	−0.8	—
Far East Fund	239.6	252.2	−1.0	—
Europe Fund	196.5	206.8	−0.7	—
International Fund	265.4	279.3	−0.3	—
Mixed Fund	336.0	353.6	+0.5	—

Henderson Administration (z)
26 Finsbury Sq, London, EC2 — 01-638 5757

High Income	265.3	280.0	+0.8	—
Gilt Equity	97.6	103.1	−0.1	—
Cap Growth	245.5	259.2	+1.0	—
Technology	187.7	198.2	+0.1	—
Nat. Resources	110.7	116.9	−0.9	—
Special Situations	269.8	284.8	+0.5	—
N. American	255.1	269.3	−1.4	—
Far East	305.0	321.9	+0.5	—
Managed	289.7	305.8	−0.3	—
Deposit	137.5	144.8		—
Prime Res.	172.8	181.5		—
Managed Currency	102.8	108.5		—
Global Health Care	125.2	132.2	+0.6	—
European	158.8	167.7	−0.9	—
Property	133.0	140.1		—
Japan Fund	101.0	106.6	+1.1	—
Pension Funds				
UK Equity	216.4	228.4	+1.3	—
Fixed Interest	146.6	154.8	−0.2	—
Special Sit.	210.7	222.4	+1.0	—
N American	151.4	159.8	−0.8	—
Far East	223.9	236.4	+1.3	—
Managed	213.2	225.1	+0.6	—
Prime Res.	158.3	166.7		—
Deposit	137.2	144.5		—

Capital units prices available on request

Hill Samuel Life Assur. Ltd
NLA Tower, Addiscombe Rd Croydon — 01-686 4355

Security Fund (z)	253.7	267.0	+1.7	—
British Fund (z)	246.3	259.3	+1.0	—
International Fund (z)	248.9	262.0		—
Dollar Fund (z)	204.9	215.7		—
Capital Fund (z)	243.4	256.3	+0.6	—
Income Fund (z)	298.2	318.9	+1.1	—
Property Series A (z)	211.5	222.7	+1.7	—
Property Units (z)	341.7	358.8	+2.5	—
Financial Fund (z)	234.3	246.7	+1.3	—
Managed Series A (z)	270.8	285.1	+0.8	—
Managed Series C (z)	198.5	209.0	+0.6	—
Managed Units (z)	471.9	496.8	+1.5	—
High Yield Fund (z)	276.6	291.2	+0.5	—
Money Series A (z)	168.4	177.3		—
Money Units (z)	215.7	227.1		—
Equity Fund (z)	309.5	325.8	+1.1	—

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$17.99	+0.17

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.72	+0.13

Inv Adv: M & G Inv Mngt Ltd London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$17.06	+0.27
Dynamic Gwth Fd	$28.51	+0.31

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	511.74	12.43

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.60			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fund	9.92	7.42	10.20	6mth
7-day Fnd	10.04	7.50	10.40	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	9.71	7.26	10.40	6-Mth
7-day Fund	9.67	7.23	10.37	6-Mth
Dollar	6.00	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.80	9.82	Qtr
Aitken Hume 30 City Road EC1Y 2AY 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.5	7.85	11.46	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc	9.15	6.83	9.90	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int Cheque	9.50	7.10	10.3338	Qtr
Benchmark Trust Ltd 9 Henrietta Place, W1M 9AG 01-631 3313				
Cap Chq Deposit Acc	10.00	7.47	10.80	Mth
Britannia Investment Services Ltd. 74-78 Finsbury Pavement EC2A 1JD 01-588 2777				
Cater Allen	9.50	7.10	10.3338	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.625	7.19	10.47	Mth
U S Dollar	6.25	4.67	6.27	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.81	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	£5,000+	7.50	10.93	Mth
For other rates please 'phone our Rateline 01-846 9768				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.10	10.30	Qtr
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	9.15	6.83	9.94	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.37	7.75	11.11	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
High Int Cheque Account	9.00	7.20	10.42	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.50	7.10	10.00	—
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H I C A. (£2,500+)	9.31	6.96	10.13	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.51	Qtr
£10,000 +	9.36	7.00	9.86	Qtr
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmnt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct	9.25	9.61	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.75	7.29	10.55	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.25	7.66	11.17	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H I B.A.	9.23	6.90	10.06	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc.	9.78	7.31	10.58	Qtr
Money Acc.	9.53	7.12	10.30	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 24141				
High Int Chq Acc	10.00	7.48	10.83	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.22	11.94	Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	*Polly Peck*	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit Telecom	17	TI	42
Brown (J)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	108	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Safety report attacks farmers' 'appalling' accident record

BY STEFAN WAGSTYL

BRITAIN'S FARMERS were yesterday condemned for their accident record in a hard-hitting report published by the Government's Health and Safety Executive.

Speaking at the Royal Show in Stoneleigh, Warwickshire, Mr Carl Boswell, the chief agricultural inspector, said that farm management was responsible for more than 60 per cent of the 296 fatal accidents on farms in the years covered by the study, 1981-84. "That is an absolutely appalling state of affairs . . . Attitudes must change if we are to stop this carnage and the changes must start at the top."

Another 82 people died on farms last year, 15 more than in 1984, he added.

The report, "Agricultural Black Spot," says people involved in agriculture appear to have a poor appreciation of the risks which accompany their work.

This may be partly explained by the fact that agriculture is fragmented so few people are involved in the impact of an accident — and the lesson is lost, says the HSE.

"There is a strong feeling in agriculture that freedom from accidents is more a matter of good luck than good management."

Although children and the elderly are often killed or injured, those aged between 16 and 30 are most at risk. Inexperienced young people are often brought in for summer work, says the report. July is the month with the most accidents.

Unlike the industrial worker trained for a specific job, the farm worker is expected to undertake a wide range of tasks, often self-taught and unsupervised, says the HSE.

The report shows that about half the 296 accidents analysed involved machinery — most often tractors. Self-propelled machines accounted for 89 deaths, of which 42 were caused by vehicles overturning.

Accidents in this category have declined markedly in the past 20 years, following the 1967 Agriculture (Tractor Cabs) Regulations which made roll-over protection compulsory on machines driven by farm employees. This has been responsible for a fall in the total number of fatal farm accidents from over 130 a year in the late 1960s.

However, the report says that half the 42 fatal accidents caused by overturning vehicles involved tractors without roll-over protection — 14 of the dead were self-employed, the other seven were employees driving unprotected machines illegally.

Workers on hill farms are most at risk. Overturning vehicles were responsible for the particularly high proportions of fatal accidents in Wales and Scotland, says the HSE.

Horses and bulls accounted for most of the 26 fatal accidents involving animals. The most common injuries were sustained falling off a horse.

In other accidents, people were killed getting tangled in machinery, falling off ladders, drowning in slurry pits and shooting themselves with guns. Eight out of 10 deaths from diseases were caused by farmer's lung, a pulmonary illness caused by mouldy hay or straw.

The report says the biggest single cause of accidents was the failure to provide safe working conditions (the reason behind 39 per cent of the accidents), followed by failure to comply with good practice in doing a job and by inadequate training, supervision or instruction.

The National Farmers' Union said it shared the HSE's concern about the increase in fatal accidents in 1985 which ran against the trend of recent years.

"We note the HSE criticism of management. We accept that farmers and farm managers do have a clear responsibility for ensuring safety on farms."

But farm workers often had to work in isolated conditions where direct supervision was impossible. New safety regulations had to take account of the special needs of farming.

Agricultural Black Spot, Health and Safety Executive, Regina House, 259-269 Old Marylebone Road, London NW1 5RR.

ACCIDENT BLACK SPOTS: 1981-84

	Deaths		Deaths
Tractors and other mobile machines	89	Electricity (mostly overhead cables)	15
Other field machines (eg, trailers)	38	Stationary machines (eg, power shafts)	10
Falls (eg, off ladders)	33	Guns and powered hand tools	10
Falling objects (mostly trees)	32	Diseases (mostly farmer's lung)	10
Animals	26	Other	9
Drowning	24	Total	296

Kennecott reaches pay agreement

A THIRD US copper producer, Kennecott, has reached a tentative agreement in pay talks with trade union leaders, union officials in Arizona said. The development follows similar announcements at Newmont Mining and Asarco, leaving only Inspiration Resources without a settlement. Talks with Inspiration were scheduled to reconvene late yesterday morning.

On the London Metal Exchange copper prices moved lower during the day and lost further ground in after hours trading following the Kennecott announcement.

Soviet wheat crop forecast reduced

BY RICHARD MOONEY

ADVERSE growing conditions in the Soviet Union last month have led the International Wheat Council to reduce its estimate of the country's 1986-1987 wheat crop by 5m tonnes from the level it was forecasting four weeks ago.

In its latest world market report, published yesterday, the IWC puts the coming Soviet wheat harvest at 80m tonnes, which would also be 5m tonnes down from the 1985-86 out-turn.

The report says that the principal Soviet wheat areas experienced hot, dry and occasionally windy weather in June, coinciding with the reproductive stage of crop development. "Because the growing season is more advanced than usual it is doubtful whether recent rains came in time to alter significantly yield prospects," it adds.

The reduced output forecast is not reflected in the projected wheat import total, however. This remains at the 19m tonnes level to which it was raised in last month's market report. An IWC official said last month's increase, from 17.5m tonnes, was influenced by early indications that the Soviet crop might not be as high as had been anticipated. He also noted that improved use of feed in the livestock sector, higher feed and Export Corporation management meant that the Soviet Union was under less pressure to cover crop shortfalls with increased imports.

The report leaves the estimate for the 1986-87 Soviet coarse grain crop at 95m tonnes, to which it was raised from 94m last month.

The reduced Soviet estimate is the biggest factor in the IWC's reduction in its 1986-87 world wheat production forecast to 515m tonnes from 523m tonnes four weeks ago. The report also points to the US, however, which it says will have its lowest crop since 1979 as a result of official efforts to cut production and unfavourable weather in some winter wheat areas.

The IWC puts 1986-87 world consumption of wheat at 518m tonnes, the same as in last month's report, resulting in a 3m tonnes reduction in stocks to 152m tonnes.

China backs Gulf aluminium smelter project

By Kathy Evans in Umm al Quiwain

CHINA HAS backed plans for a $650m aluminium smelter in the Gulf emirate of Umm al Quiwain.

The China National Metals and Minerals Import and Export Corporation has agreed to buy some 65 per cent of the plant's output for 12 years, under agreements announced this week.

The Umm al Quiwan Aluminium Company (Umalco) is to be 75 per cent owned by the emirate's government which hopes that the two aluminium purchasers may also take equity stakes. Alcoa, the US aluminium company, is to manage the project.

However, the plant seems unlikely to be constructed soon. Quite apart from the technical difficulties still to be overcome —notably securing gas supplies to power the smelter—the aluminium market has seen prices weaken over in recent years, driving producers to cut output. The proposed plant would be the third in the Gulf, after Alba in Bahrain and Dubal in Dubai.

Sheikh Nasser bin Rashid, son-in-law of the local ruler and a Umalco director, said this week: "We don't want a project if it is not feasible."

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,470-2,560.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.50-2.80.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.97-1.02, sticks, 0.98-1.03.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 4.95-5.35.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 195-210.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb, Mo, in warehouse, 2.80-2.85.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 3.80-4.25.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO. cif, 47-56.

VANADIUM: European Free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.50-2.55.

URANIUM: Nuexco exchange value, $ per lb UO, 17.00.

S African miner sees coal export problems

BY KENNETH MARSTON, MINING EDITOR

ANGLO-AMERICAN Corporation, the South African mining, industrial and finance group, has repeated its warning that coal exporting countries face a difficult year, with falling oil prices accelerating a decline in prices for sport steam coal.

South African export prices are being further reduced by the decisions of some countries to lessen, or eliminate, their imports for political reasons, the company says in its annual report.

As a result the previously forecast further increase in 1986 in coal export shipments through the port at Richard's Bay, north of Durban, is not now expected to materialise.

Last year the Republic's total coal sales rose by 9.8m tonnes to 169m tonnes. Export volume was 17.3 per cent up at 44.7m tonnes, of which 39.6m tonnes was shipped via Richard's Bay. Export sales revenue—boosted by the exchange gain on converting dollar prices into weak domestic rands—expanded by 80 per cent to R3.08bn.

Britain reserving rights on Soviet lamb compensation

BRITAIN IS to reserve all its rights with the Soviet Union over the question of compensation to farmers following the Chernobyyl disaster, Mrs Lynda Chalker, Foreign Office Minister of State, said last night.

In a Commons written reply Mrs Chalker confirmed that the Government was studying the question of a possible claim "on its own behalf or on behalf of its nationals.

"We intend in any case to reserve all our rights in this matter with theSoviet Government," she said.

Bunge's £35m boost for Liverpool's oilseed crushing industry

BY JANE MONAHAN

BUNGE & CO, the UK arm of one of the world's largest grain traders, is about to set the seal on its biggest expansion yet in Britain.

This month the company, with an ultimate holding company in Panama and a reputation hitherto of not communicating at all with the media, plans to start trials at its revamped Merseyside edible oil crushing and refining complex. The rest of the plant, in which the company is investing £35m, is expected to be operational in the autumn.

The new complex is to replace an existing mill owned by Bunge's Bibby Edible Oils subsidiary, which it bought in October 1983 for £14m. Mr Richard Pendered, Bunge & Co's managing director, says the modernisation represents the biggest single investment this decade in Britain's primary food industry.

The complex, employing 240 people, will be one of Europe's most advanced oilseed processing plants and Britain's second biggest after Unilever's plant at Erith.

It also underlines the extent to which the company — which has its main strengths in Brazil, Argentina and the US — regards Britain as the principal focus of its activities within the EEC. "Our main growth in Europe in the near future is going to be in Britain," says Mr Pendered.

Of the total investment, £15m has been earmarked for replacing Bibby's eixsting mill with a plant that will have annual crushing capacity for 300,000 tonnes of oilseeds; £8m is being spent on building a 90,000-tonnes-a-year refinery for the products from the mill and other soft oils (sunflower, soyabean and rapeseed); and £12m on building a refinery that can also be used for hard oils (palm oil and palmkernel oil).

As an immediate consequence, Liverpool's crushing industry has been saved. Mr Pendered says the old Bibby mill could not compete with more modern installations in the Netherlands and Belgium and would have had to close within 18 months without the investment.

In addition, rapeseed produced in Britain, which used to be sent to the Continental mills for crushing before being re-imported, will now be processed in Britain. Bunge intends to use the Bibby plant almost exclusively for crushing rapeseed, doing away with the soyabean imports which were its staple feedstock in the past.

Bunge's increasing integration into UK agricultural markets is essentially a response to pressures stemming from Britain's accession to the EEC in 1973. As a result of the Community's export subsidy system and high variable levies against imports, grain trading —the core activity of the Bunge empire—has become much more difficult within Europe.

And since Britain joined, Bunge—like other grain traders —has had to change its policy from one of importing American grain to one of encouraging the production of grain in the UK and at the same time developing those imports which are allowed into the EEC duty-free or at low fixed tariffs, such as soyameal and edible oils.

In line with these trends, Britain, which was formerly a significant grain importer, has become a sizeable net exporter. In addition, there has been an enormous increase in UK production of oilseed rape. In the 1979-80 season, according to the Ministry of Agriculture, Britain produced only 200,000 tonnes of rape; last year, output was 891,000 tonnes following record production of 923,000 in 1984.

Bunge owes its strong position in the British edible oil market to its ownership of the Kenneth Wilson group of 14 agricultural merchanting companies. Through this subsidiary it has actively promoted rape production by supplying British farmers with their seed and then contracting to buy the crop.

The group, which has been built up over the last 25 years, is now second only to Dalgety in the volume of seed, fertiliser and grain it handles each year, with annual grain sales of 3m tonnes, seed sales of 230,000 tonnes and fertiliser sales of 600,000 tonnes.

Bunge's growth in Britain has been impressive. The UK subsidiary's net worth (excluding minority interests) rose from £15.6m at the end of 1976 to £65.9m last December.

Nevertheless, its ride has not been completely smooth. In 1984, the holding company made a trading loss of £1m, its first such loss in 20 years, although much of this was made good in 1985. Overall the stated trading profits of Bunge & Co in the UK recovered last year to £3.86m on turnover of £1.15bn, after a severe dip to £1.95m in 1984 from £6.4m in 1983.

The earlier slide in profits stems from the difficulties of grain trading in the EEC, write-offs for machinery at the Bibby plant during the construction of the new complex, and a prolonged drought in South Africa which affected maize trading.

LONDON MARKETS

SPECULATION that a further rise in European producer selling prices for zinc might be on the way following rises in US domestic prices helped to boost values on the London Metal Exchange yesterday. With dollar-based trade and commission buying providing extra upward pressure the cash position gained £6 to £529.50 a tonne, in spite of being held back by the dallar's weakness against sterling. But aluminium had nothing to defend it against the downward currency pressure and the cash quotation closed at £739 a tonne, down £13.75 on the day. London's gas oil futures market came under pressure again following the inconclusive Opec meeting and values dipped to record lows before staging a modest recovery towards the close. The August position ended $4.75 down at $107.25 a tonne. Dealers saw the fall partly as a technical correction bringing the market back into line with weak spot crude prices. Current oversupply in the oil products market was a further depressing factor, they added.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	738-40	—13.75	751/751
3 months	743.5-4	—10.0	751/743

Official closing (am): Cash 744-4.5 (747.5-8.5), three months 748.5-9 (748-9.5), settlement 744.5 (748.5). Final Kerb close: 742-3.
Turnover: 12,100 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/low
Cash	906-6	-10.0	910/906
3 months	903-4	-8.0	908/898

Official closing (am): Cash 909-9.5 (909-10), three months 906-6.5 (907-8), settlement 909.5 (910). Final Kerb close: 898-9.

Standard			
Cash	867-70	-3.0	869/805
3 months	886-8	-7.5	887/886

Official closing (am): Cash 864-6 (875-7), three months 885-7 (887-9), settlement 866 (877).
US Producer prices 64.00-71.00 cents per pound.
Total turnover: 20,775 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	266.5-6	+5.25	263.5/265.5
3 months	266.5-6	+4.25	266/263

Official closing (am): Cash 263.5-4 (263-4), three months 264-4.5 (264-5), settlement 264 (264). Final Kerb close: 265-6.
Turnover: 3,850 tonnes. US Spot: 22.50-24.00 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2606-10	—30.0	—
3 months	2625-30	—20.0	2640/2625

Official closing (am): Cash 2610-2 (2630-5), three months 2630-2 (2641-2), settlement 2612 (2635). Final Kerb close: 2625-30.
Turnover: 1,038 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.09 (14.08) ringgit per kg. Up 0.01 ringgit per kg.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	529-30	+6.0	529/528
3 months	533.5-3	+4.75	533/527

Official closing (am): Cash 528-29 (521-1), three months 530-1 (528-8), settlement 529 (521.5). Final Kerb close: 536-8.5.
Turnover: 8,350 tonnes. US Prime Western: 38.50-44.75 cents per pound.

GOLD

Gold fell $2½ an ounce from Monday's close in the London bullion market yesterday to finish at $345-345¼.

SILVER

LME

MEAT

INDICES

REUTERS

June 30	June 27	M'th ago	Year ago
1462.7	1453.8	1756.9	1789.2

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	June 30	June 27	Month ago	Year ago
Spot	126.21	127.31	—	115.38
Fut.	112.33	112.39	—	116.79

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 1 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1228/248	—15	$1265/305
Copper			
Cash h Grade	£906.5	—10	£945.5
3 mths	£903.5	—8	£947.25
Gold Troy oz	$345	—2.5	$341.25
Lead Cash	£265.75	+5.25	£261.5
3 mths	£265.75	+4.25	£267.5
Nickel			
Free Mkt	182/202c	—1	181/201c
Palladium oz	$110.85	—0.15	$108.25
Platinum oz	$431.25	—1.5	$422.25
Quicksilver†	$210/229	....	$205/215
Silver troy oz	330.46p	+1.10	343.85p
3 months	338.15p	+1.10	351.85p
Tin			
free mkt	£2860/820	....	£2618/84
Tungsten	$58.73	....	$59.13
Wolfram 22.05lb	$42/50	....	$42/50
Zinc	£529.5	+6	£509.5
3 months	£532.75	+4.75	£519.25
producers	$840	....	$760
OILS			
Coconut (Phil)	$245w	....	$245
Palm Malayan	‡	....	$242.5
Copra Phil	$160y	....	$150
Soyabean (U.S.)	$151y	....	$149
GRAINS			
Barley Fut. Sept.	£99.20	+0.15	£98.15
Maize	£134.00	....	£139.00
Wheat Fut Sept.	£100.00	—0.05	£99.45
No. 2 Hard Wint.	‡	....	‡
OTHERS			
Cocoa Ft. Sept	£1289	—2	£1521.5
Coffee Ft. Sept	£1726	+19	£1932.5
Cotton A Ind.*	59.20c	....	43.75c
Gas Oil Aug.	$107.25	—4.75	$118.25
Rubber (kilo)	56.75p	—0.25	58.00p
Sugar (raw)	$154.5y	+6	$177.5
Wooltops 64s	418p kilo	....	422p kilo

‡ Unquoted. † Per 76 lb flask. c Cents per pound. y July-Aug. z Aug. w Aug-Sept. * Cotton Outlook.

COCOA

Futures rallied £15 on early short-covering but eased later on trade selling to close virtually unchanged. Both producers and consumers were seen as light participants but physicals were generally quiet after the initial rally, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1259-1260	+2.5	1275-1250
Sept.	1288-1290	—2.0	1305-1288
Dec.	1332-1334	+1.5	1346-1330
March	1366-1369	+5.0	1388-1364
May	1384-1389	+6.0	1392-1390
July	1402-1408	+9.5	1410-1402
Sept.	1423-1424	+10.5	1429-1422

Sales: 3,862 (3,106) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for July 1: 86.50 (87.47); five-day average for July 2: 86.77 (86.19).

COFFEE

Reports of cooler weather in Brazil for the next few days prompted short-covering and some speculative buying in early trading, reports Drexel Burnham Lambert. The trade appeared as scale-up sellers and with the buying exhausted levels drifted back.

COFFEE	Yesterday Close	+ or —	Business Done
July	1660-1688	+16.5	1704-1655
Sept.	1725-1727	+19.0	1748-1695
Nov.	1765-1768	+18.0	1787-1735
Jan	1802-1808	+20.0	1820-1778
Mar.	1835-1838	+22.0	1845-1809
May	1850-1866	+10.0	1870-1869
July	1886-1892	+25.5	—

Sales: 5,080 (9,278) lots of 5 tonnes.
ICO indicator prices (US cents per pound) for June 30: Comp daily 1979 141.32 (139.17); 15-day average 148.55 (149.45).

SOYABEAN MEAL

In an active session 2,050 December options traded at a £2.50 premium and aggressive commercial selling pushed prices lower at which levels good consumer and speculative buying prevented further declines, reports Muirpace.

GRAINS

FREIGHT FUTURES

POTATOES

SUGAR

RUBBER

US MARKETS

NEW YORK SUGAR was subject to enormous selling pressure, after an attempt to break over the 7c level early in the session failed due to technical profit-taking led by commission house operators, reports Heinold Commodities. After the positive mood at the end of last week and further gains on Monday, the failure of the market to attract follow-through interest due to tough resistance at 7c in the leading October position encouraged those who had bought on the latest rise to take profits, especially in view of the long weekend which, in New York, starts at the close of business today. Platinum lost over $11 in the October position after renewed buying at the beginning of the week, following the alleged arrests of trade union leaders in South Africa, was seen as slightly exaggerated.

NEW YORK

CHICAGO

OIL

GAS OIL FUTURES

Protest at Channel waste dump survey

A GOVERNMENT survey of possible sites for the dumping of Channel Tunnel waste has angered the Kent Trust for Nature Conservation. The sites are in some of the county's most important nature conservation areas, it says.

The Environment Department has said however that it was only carrying out a feasibility study and there were no plans yet for dumping.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to fall

The dollar lost ground yesterday amid growing fears that the US discount rate would be cut to help revive a sagging economy. Figures released yesterday included leading indicators which rose a disappointing 0.2 per cent, less than had been expected, and the latest in a line of statistics pointing towards a marked slow-down in economic activity. A 0.8 per cent rise in construction spending was in line with expectations.

Trading conditions had already become a little choppy ahead of the long weekend in the US and Japan's general election on Sunday. Against this background any cut in rates may wait until next week. However, the prospects of a concerted cut between leading economic nations remained slim, with West Germany showing anxiety about money supply growth and the relative weakness of the D-Mark within the EMS.

The dollar closed at DM 2.1760 down from DM 2.2015 and Y162.55 from Y163.70. Elsewhere it fell to SFr 1.7725 from SFr 1.7955 and FFr 6.9450 compared with FFr 7.02. On Bank of England figures, the dollar's exchange rate index fell from 114.4 to 113.8.

The Australian dollar was one of the few currencies not to benefit from the dollar's decline, with the US unit rising to A$1.5242½ from A$1.4812½.

Loss of confidence in the Australian dollar came after the abolition of 10 per cent withholding tax exemptions on certain interest payments on offshore loans. This effectively reduced the dollar's attraction.

STERLING — Trading range against the dollar in 1986 is 1.5355 to 1.3700. June average 1.5089. Exchange rate index 76.4 up from an opening of 76.3 and Monday's close of 76.2. The six months ago figure was 78.8.

Sterling benefited from the dollar's decline, finishing at $1.55, but failed to hang on to major European currencies. Trading was rather dull and uneventful but the pound did expose its vulnerability to a sharp fall in the dollar. Against the D-Mark it slipped to DM 3.3725 from DM 3.3750 and SFr 2.7475 from SFr 2.7825. It was higher against the French franc at FFr 10.7650 from FFr 10.7575 and reflected the dollar's less than average decline in yen terms by rising to Y252 from Y250.75.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. June average 2.2332. Exchange rate index 135.7 against 131.5 six months ago.

The D-Mark rose against a weak dollar in Frankfurt yesterday amid growing signs that the US authorities would take steps to boost a flagging economy. This could well include a cut in the discount rate. Disappointing US economic statistics released yesterday tended to underline this view. The dollar fell to DM 2.1795 at the close from DM 2.1955 on Monday and yesterday's fixing level of DM 2.1839. While there was no indication that it had, dealers were wary of pushing the dollar down too fast in case the Bundesbank started to intervene to support the US unit.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. June average 167.56. Exchange rate index 209.4 against 177.4 six months ago.

The dollar recovered a little in Tokyo yesterday, having fallen sharply in New York. However, it retained a very bearish undertone and dealers were sure that the decline would continue. Disappointing US economic data gave rise to increased speculation that the US discount rate would be cut. It closed in Tokyo at Y163.65, up from Y162.95 in New York but down from 163.95 in Tokyo on Monday. The Bank of Japan may have been in the market buying dollars and this may have provided a small amount of stability.

POUND SPOT—FORWARD AGAINST POUND

July 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5375-1.5505	1.5495-1.5505	0.44-0.41c pm	3.29	1.17-1.12pm	2.95
Canada	2.1277-2.1286	2.1342-1.1366	0.38-0.28c pm	1.85	0.78-0.60pm	1.27
Nethlnd.	3.77¾-3.80⅜	3.79¾-3.80¾	1⅞-1⅝c pm	3.95	3⅛-2¾pm	3.55
Belgium	68.55-69.10	69.00-69.10	22-16c pm	3.30	53-43pm	2.78
Denmark	12.47¾-12.52½	12.51½-12.52½	2⅞-1⅝ore pm	2.18	5⅞-3⅝pm	1.44
Ireland	1.1100-1.1160	1.1135-1.1145	0.05p-0.05dis	—	0.15pm-par	0.26
W. Ger.	3.35½-3.37¾	3.36¾-3.37¾	1¾-1½pf pm	5.78	4½-4¼pm	5.19
Portugal	226.38-230.65	228.90-230.65	65-220c dis	−7.19	210-680dis	−7.76
Spain	214.45-215.40	215.04-215.40	130-250c dis	−10.59	335-495dis	−7.71
Italy	2,302¼-2,316	2,315-2,316	2-7 lire dis	−2.33	9-17dis	−2.25
Norway	11.48½-11.55¾	11.54¾-11.55¾	3⅞-3⅞ore dis	−4.08	11⅞-13dis	−4.31
France	10.71¾-10.76¾	10.76-10.77	2⅞-2⅛c pm	2.65	6⅞-5⅞pm	2.25
Sweden	10.90½-10.97	10.96-10.97	par-½ore dis	−0.98	⅞-1⅞dis	−0.29
Japan	250½-252½	251¼-252¼	1⅜-1¼y pm	5.95	3⅞-3⅝pm	5.16
Austria	23.62-23.71	23.68-23.71	11⅜-10¼gro pm	5.51	29¾-28pm	4.66
Switz.	2.72¾-2.75¾	2.74¾-2.75¾	1⅜-1⅛c pm	5.46	3⅞-3pm	4.64

Belgian rate is for convertible francs. Financial franc 69.70-69.75. Six-month forward dollar 2.27-2.17c pm. 12-month 4.01-3.91c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5375-1.5505	1.5495-1.5505	0.44-0.41c pm	3.29	1.17-1.12pm	2.95
Ireland†	1.3825-1.3900	1.3880-1.3890	0.40-0.15c pm	2.38	0.80-0.50pm	2.02
Canada	1.3770-1.3825	1.3795-1.3805	0.15-0.18c dis	−1.43	0.58-0.61dis	−1.69
Nethlnd.	2.4475-2.4715	2.4500-2.4510	0.15-0.10c pm	0.61	0.40-0.35pm	0.61
Belgium	44.45-44.74	44.50-44.60	1pm-1c dis	—	par-4c dis	−0.18
Denmark	8.06¾-8.11¾	8.07½-8.08	0.50-1.10ore dis	−1.18	2.75-3.50dis	−1.54
W. Ger.	2.1680-2.1870	2.1755-2.1765	0.48-0.45pf pm	2.56	1.26-1.21pm	2.26
Portugal	145½-149¼	148½-148¾	100-250c dis	−14.15	350-650dis	−13.47
Spain	138.67-139.88	138.90-139.05	100-150c dis	−10.76	310-410dis	−10.33
Italy	1,492-1,502	1,493½-1,494½	6-8½ lire dis	−5.81	18-21½dis	−5.27
Norway	7.44¾-7.47½	7.44¾-7.45¼	4.50-4.80ore dis	−7.47	13.50-13.90d	−7.34
France	6.9350-6.9860	6.9425-6.9475	0.25-0.40c dis	−0.56	1.15-1.40dis	−0.73
Sweden	7.06¾-7.09½	7.07¼-7.07¾	2.00-2.20ore dis	−3.56	5.70-6.00dis	−3.30
Japan	162.25-163.75	162.50-162.60	0.35-0.30y pm	2.39	0.90-0.85pm	2.15
Austria	15.27-15.37¾	15.30½-15.31	3-2gro pm	1.95	8-4pm	1.56
Switz.	1.7690-1.7860	1.7720-1.7730	0.32-0.27c pm	1.99	0.79-0.73pm	1.71

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 44.95-45.05.

EXCHANGE CROSS RATES

July 1	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.550	3.373	252.0	10.77	2.748	3.796	2316.	2.137	69.05
$	0.646	1.	2.176	162.6	6.945	1.775	2.451	1494.	1.379	44.55
DM	0.297	0.460	1.	74.72	3.192	0.816	1.126	686.6	0.634	20.47
YEN	3.968	6.151	13.38	1000	42.72	10.90	15.07	9188.	8.480	274.0
F Fr.	0.929	1.440	3.133	234.1	10.	2.553	3.528	2151.	1.986	64.14
S Fr.	0.364	0.564	1.227	91.72	3.918	1.	1.382	842.8	0.778	25.13
H FL	0.263	0.408	0.888	66.36	2.835	0.724	1.	609.7	0.563	18.18
Lira	0.432	0.669	1.456	108.8	4.649	1.187	1.640	1000.	0.923	29.82
C $	0.468	0.725	1.578	117.9	5.037	1.286	1.777	1083.	1.	32.30
B Fr.	1.448	2.245	4.885	365.0	15.59	3.981	5.501	3354.	3.095	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 7¼-7⅛ per cent; three years 7½-7⅜ per cent; four years 7⅝-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; other, two days' notice.

MONEY MARKETS

London remains quiet

UK clearing bank base lending rate, 10 per cent since May 22

Interest rates were a little easier on the London money market yesterday, but trading remained quiet and dull, in spite of the improvement of sterling against the dollar. Three-month interbank eased to 9 13/16-9 11/16 per cent from 9 15/16-9 13/16 per cent.

The Bank of England at first forecast a money market shortage of £550m, but revised this to £600m at noon, and to £650m in the afternoon. Total help of £656m was provided.

Before lunch the authorities bought £240m bills outright by way of £5m bank bills in band 1 at 9⅞ per cent; £164m bank bills in band 2 at 9 13/16 per cent; and £71m bank bills in band 3 at 9¾ per cent.

In the afternoon £160m bills were purchased outright, through £11m bank bills in band 1 at 9⅞ per cent; £83m bank bills in band 2 at 9 13/16 per cent; and £66m bank bills in band 3 at 9¾ per cent.

Late assistance of around £155m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £482m, with Exchequer transactions absorbing £250m. These outweighed a fall in the note circulation adding £45m to liquidity and bank balances above target by £130m.

In Frankfurt pressure in the money market eased, after the commercial banks made up their books at the month end. Call money remained at around 5 per cent, but the spread between bid and offered rates narrowed. Lack of liquidity on Monday forced banks to borrow over DM 12bn under the Bundesbank's Lombard facility, at 5.5 per cent. There has been some speculation that the Lombard rate will be cut at tomorrow's Bundesbank council meeting. Funds redeposited with banks, after Friday's pension pay out, helped ease conditions yesterday, as well as the unwinding of money tied up through purchases of three-day Treasury bills from the Bundesbank before the week-end. At yesterday's two part securities repurchase tender the Bundesbank accepted total bids of DM 11.2bn, to more than replace the DM 9bn flowing out of the market today, as an earlier agreement expires. Bids of DM 6.8bn were successful for a 35-day agreement at a fixed rate of 4.35 per cent; and of DM 4.4bn for a 63-day agreement, at a rate of 4.4 per cent. Banks were asked to bid at or above a minimum rate of 4.3 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 1)

Three months US dollars		Six months US dollars	
bid 6½	offer 6⅝	bid 6 11/16	Offer 6 13/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK RATES

LONDON MONEY RATES

MONEY RATES

FINANCIAL FUTURES

US bonds below best

Sterling denominated interest rate contracts closed at or around the day's high on the London International Financial Futures Exchange yesterday, but US Treasury bond futures finished well below the day's peak and only slightly above Monday's settlement.

The tone of the market was set by retail cash buying of US Treasury bonds in Tokyo, encouraging September delivery bonds to open above par. The contract remained firm on hopes of a cut in the US discount rate. Mr Henry Kaufman, chief economist of Salomon Brothers said the discount rate would be cut by ½ per cent within the next 60 days, and recent US economic statistics have pointed to a build up of pressure on the Federal Reserve to reduce interest rates and stimulate economic growth.

Figures on US leading indicators for May pushed September bonds up to the day's high of 100.05. Forecasts ranged between a rise of 0.1 per cent to 0.6 per cent, with the median around 0.4 per cent, and therefore the rise of only 0.2 per cent encouraged buying.

Dealers suggested that further upward potential is limited however, and that there is strong technical resistance at around 100-16. Lack of further potential and the winding down of US trading, ahead of the Independence Day holiday, which effectively will begin on Thursday, led to profit taking and a fall back to 99-17, compared with 99-15 previously.

LONDON

CHICAGO

CURRENCY FUTURES

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

STERLING INDEX

	July 1	Previous
8.30 am	76.3	76.1
9.00 am	76.3	76.1
10.00 am	76.3	76.1
11.00 am	76.3	76.1
Noon	76.3	76.1
1.00 pm	76.3	76.2
2.00 pm	76.3	76.3
3.00 pm	76.3	76.3
4.00 pm	76.4	76.2

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

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HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

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INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

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Commercial Vehicles

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PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

PROPERTY

TRUSTS, FINANCE, LAND

Investment Trusts

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Finance, Land, etc

FINANCE, LAND—Cont.

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PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

32	30	Anglo-Dominion	31		—	—	—
42	26	Anglo Utd Dev.	28	..	d1.05	ϕ	5.4
80	45	♥Colby Res Corp	45		—	—	—
300	160	Cons. Murch. 10c.	165		Q100c	ϕ	13.2
34	28	♥Ennex Int. Ir10p	30	.	—	—	—
102	70	Greenwich Res.	97		—	—	—
157	93	Hampton Areas 10p.	152	−1	ϕ1.0	—	0.9
250	165	♥Highwood Res	232	+2	—	—	—
£19¼	£13½	Homestake Mining $1	£14½	−⅛	Q20c	—	1.0
310	175	♥McFinley Red Lake	200	+10	—	—	—
285	195	♥Musto Explorations	200	−10	—	—	—
51	33	♥New Sabina Res C$1	36	.	—	—	—
260	207	Northgate C$1	210		—	—	—
790	513	RTZ.	612	+10	22.0	2.8	5.1
£164	£115	Do. 9½pcLn '95-2000	£133		Q9½%	15.5	f7.4
950	800	♥Tara Expln $1	875		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- § Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ⊕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	60c	+1	Fin 13% 97-02	£122⅞	...
Craig & Rose £1	£13	.	Arnotts	317	...
Finlay Pkg. 5p	43	.	CPI Hldgs.	43	...
Holt (Jos) 25p	800		Carroll Inds.	137xd	
IoM Stm. £1	87		Dublin Gas	53	
			Hall (R. & H.)	72	
IRISH			Heiton Hldgs.	30	
Fund 11¼% 1986	£103½		Irish Ropes	109xd	.
Nat 9¾% 84/89	£101½c		Unidare	198	.

"Recent Issues" and "Rights" Page 39
(International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Fresh surge takes FT equity index to highest level for two months

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Another broad advance took leading shares in London to the highest levels for two months. The session featured lively bouts of both investment and speculative activity as funds recently tied up in the Thames TV and Morgan Grenfell share flotations were returned to investors. Institutional operators tended to favour Building and Construction issues following a clutch of circulars from broking houses bullish of the sector because of the scope for lower UK interest rates later this year.

The institutions also bought many international stocks in the wake of Wall Street's surge to a fresh record on Monday: this countered the adverse effects of sterling's continued strength against the dollar on groups with overseas earning potential. Professional investors went more for situation issues where the scent of takeover speculation was heaviest. **Beecham** were the main attraction and, on reports of the first of several presentations organised by a London broker in the US, were the day's most active blue chip.

Electricals enjoyed a good tone awaiting the preliminary statement from **GEC** but turned back later on disappointing annual results from defence stock **Ferranti**. GEC rose to 226p immediately after the disclosure of profits in line with market estimates but reacted to close 2 down on balance at 220p. Ferranti fell 14 to 114p. The late trend of this sector brought the FT indices away from the highest points and the FT Ordinary share ended 6.6 up at its best level since May 2 at 1,373.7. The FT-SE 100 share closed 11 higher at 1,660.8, after 1,663.6.

The Gilt-edged market became involved with financial technicalities. It was the last day for establishing capital losses for tax purposes and many switching transactions were attempted, some unsuccessfully. With the exception of certain low-coupon stocks, the market opened better but gains were eroded by talk of the building societies contemplating a rise in mortgage rates; last night a spokesman for National and Provincial said he saw no need for any increase unless there was a substantial change in the market.

Clearing banks firm

The major clearing banks made steady progress helped by reports that Mexico is likely to meet interest payments on its foreign debt due this week. **Barclays** moved up 9 to 532p and **Lloyds** rose 8 to 403p, while **Midland** advanced 14 to 553p; the last-named has announced plans for one of its subsidiaries to become a discount house. Scottish banks settled a shade below the best although **Royal Bank of Scotland** retained a rise of 6 at 334p. **Bank of Ireland** were 15 higher at 435p. Elsewhere in the Banking sector, **Mercury International**, up 38 on Monday following the annual results, eased 8 to 845p.

The Insurance sector displayed fresh strength. Among Life issues, **Legal and General** continued to attract buyers and gained 10 more to 286p, while **Prudential** advanced 18 to 887p. **Abbey Life** firmed 7 to 193p, as did **Equity and Law**, to 290p. **Britannic** were finally 16 higher at 588p in a restricted market and **Refuge** 10 to the good at

Reports of an imminent Monopolies Commission investigation into the tied house system unsettled leading Breweries. Prices staged a slight recovery after-hours but losses still ranged well into double-figures with **Bass** 25 off at 805p, and **Allied-Lyons** 11 cheaper at 352p. **Whitbread "A"** finished 10 down at 305p, while annual profits in line with most market expectations failed to bolster **Scottish and Newcastle**, 5 off at 204p.

Leading Building issues often displayed double-figure gains in the wake of several brokers' bullish circulars. Particularly firm markets on this score were **Alfred McAlpine**, a net 18 up at 440p, and **Costain**, 14 higher at 564p; the latter's new nil paid shares advanced 16 to 96p premium. **C. H. Beazer** were good at 246p, up 14 and **George Wimpey** put on 6 to 216p, while **John Laing** rose 9 to 474p. **Blue Circle** were finally 10 to the good at 648p, after 651p, and **RMC** 16 higher at 656p. **Tarmac** firmed 8 to 476p, as did **BPB Industries**, to 528p. Elsewhere, **Walter Lawrence** gained 8 afresh to 155p on takeover hopes and **Robert M. Douglas** firmed 4 more to 128p. **Raine Industries**, still awaiting the outcome of merger talks added 4 more to 79p. **A. Monk** slipped to 120p following the annual results before renewed demand left the close 5 dearer on balance at 126p. **Wiggins** continued to reflect the return to profitability with a further rise of 4 to 87p. **Trent Holdings** were a shade easier at 77p and **Baggeridge Brick** unchanged on the day at 330p xd; the prices shown for both companies in Tuesday's issue were incorrect.

Ratners wanted

Revived institutional support stimulated sharp gains throughout leading Stores. **Harris Queensway**, 254p, **Burton**, 300p, and **W. H. Smith "A,"** 304p, all rose around 10, while **Sears** put on a few pence to 131p awaiting news from the annual meeting. **Marks and Spencer**, annual meeting due tomorrow, improved 5 more to 208p, while revived takeover speculation lifted **Combined English** 13 to 243p. **Woolworth** rallied 15 to 710p as demand revived ahead of today's closing of the **Dixons** offer; the latter hardened a couple of pence to 334p. The Next/Grattan development continued to excite other mail-orders with **Freemans** another 14 higher at 452p and **Empire** 6 better at 216p. **N. Brown Investments** advanced 30 more to 675p following suggestions of a link-up with Marks and Spencer. Jewellers **Ratners** attracted substantial support and touched 167p before closing a net 10 to the good at 165p; the bid for fellow high street retail chain **H. Samuel** will not be referred to the Monopolies Commission. [illegible]

FINANCIAL TIMES STOCK INDICES

[illegible]

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Beecham good again

Selective support was forthcoming for the miscellaneous industrial leaders, with **Beecham** outstanding again at 438p, up 8, on fresh US and domestic demand following a broker's presentation of the company in America. [illegible]

Property Security Investment added 3 to 126p.

[illegible]

Oils easier

The failure of the latest in a series of OPEC meetings to agree on a collective output ceiling and individual quotas put renewed pressure on oil prices and unsettled leading oil shares. The latter opened on a steady note and edged higher in line with a retreating dollar, but fell away in the wake of falling spot oil prices. At the close **BP** and **Shell** were around 3 easier apiece at 590p and 793p respectively while falls of 5 were common to **Britoil**, 160p, after 168p, **Tricentrol**, 50p and **Ultramar**, 175p. **Lonrho**, scheduled to announce interim figures on Thursday, were actively traded and put on 6 to 262p; brokers de Zoete and Bevan are forecasting pre-tax profits of £75m.

News of another bomb explosion in the centre of Johannesburg brought an abrupt halt to a further rally in South African issues. Gold and related stocks continued to make progress during the morning, sustained by a relatively steady bullion price and renewed stability in the Financial Rand. Demand for shares was again generally confined to short covering but dealers reported numerous buying orders for Golds following the recent "buy" recommendation by a leading UK broker. However, after midday the news of the bomb attack on the prestigious Carlton Centre in Johannesburg prompted a flurry of selling orders and share prices retreated across the board. [illegible]

Traded Options

Total contracts struck in Traded Options amounted to 18,621. [illegible]

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (157)

NEW LOWS (40)

[illegible]

MONTHLY AVERAGES OF STOCK INDICES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 23	July 4	Sept 25	Oct 6
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3

For rate indications see end of Unit Trust Service

Money was given for the call of Wheway Watson, Bernard Matthews, Appleyard, Wellman, "The Times" Veneer, Berkeley and Hay Hill, P. & W. MacLellan, Arthur Lee, LCP, Telemetrix, BSG International, Amstrad, S. & U. Stores, Dixons, Barker and Dobson, Burnett and Hallamshire, Antofagasta, Bejam, Raine Industries and Property Trust. A put was done in Dwek, while doubles were arranged in Abbey Life and Sound Diffusion.

YESTERDAY'S ACTIVE STOCKS

[illegible]

MONDAY'S ACTIVE STOCKS

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

BASE LENDING RATES

[illegible]

LONDON TRADED OPTIONS

[illegible]

WORLD STOCK MARKETS

AUSTRIA | GERMANY | NORWAY | AUSTRALIA (continued) | JAPAN (continued)

BELGIUM/LUXEMBOURG | SPAIN | SWEDEN | HONG KONG

DENMARK | ITALY | SWITZERLAND | SINGAPORE

FRANCE | NETHERLANDS | AUSTRALIA | JAPAN | SOUTH AFRICA

Stock	Price	+ or −	Stock	Price	+ or −	Stock	Price	+ or −	Stock	Price	+ or −	Stock	Price	+ or −
Nord Est	179.6	+1.6	Oce Grinteh	507		Aust. Guarantee	3.45		Jusco	1,470	−50	Barclays Bank	20	
Pernod Ricard	1,136	+36	Ommeren (Van)	36	−0.3	Aust. Nat. Inds	3.18	+0.05	Kajima	904	−6	Barlow Rand	18	
Perrier	730	+17	Pakhoed	54	+0.5	Bell Group	9.1	−0.1	Kao Corp	1,560	+20	Buffels	79	−1
Petroles Fra	357	−4	Philips	51.1	−0.8	Bell Res	4.2	+0.05	Kawasaki Steel	177	−2	CNA Gallo	2.35	
Peugeot S.A.	891	−4	Robeco	95.4		Bond Corp Hldgs	3.38	−0.04	Kirin	1,490	−10	Currie Finance	4.05	+0.1
Printemps (Au.)	552	−1	Rodamco	140.2	−0.1	Boral	4.32	−0.05	Kobe Steel	189	+5	De Beers	27.6	−0.1
Radiotech	903	+3	Rolinco	85.4	+0.2	Bougainville	2.4		Komatsu	494	−5	Driefontein	64.5	−0.5
Redoute	1,775	−11	Rorento	50.3	−0.1	Brambles Inds	5.4	−0.1	Konishiroku	751	−19	F.S.Cons.	33.25	
Roussel-Uclaf	1,560	+25	Royal Dutch	186.5	−2.8	Bridge Oil	0.75	+0.05	Kubota	370	−2	Gold Fields S.A.	43.5	−1.0
Safimeg	502	−13	Unilever	479.5	−3.5	B. H. Prop	8.5		Kumagai	840	+5	Highveld Steel	6.95	
Skis Rossignol	1,275	+15	VMF Stork	316	+1.2	Burns Philp	5.7		Kyocera	4,150	−20	Malcor	10	
Telemec Elect	3,100	+100	VNU	383.4	+0.4	CRA	5.86	−0.02	Marubeni	383	−9	Nedbank	6.3	+0.10
Thomson (CSF)	1,305	+30	Wessanen	71.5	−1.1	CSR	3.32	−0.03	Marui	2,580	+20	OK Bazaars	13.15	+0.15
Valeo	501	−13	West Utr Bank	50		Chase Corp	4.4xc	−0.05	Mazda Motor	401		Rembrandt	69	+0.50
						Claremont Pet	0.8		Meiji Seika	882	+8	Rust Plat	38.00	+0.75
						Coles Myer	5.02	−0.06	MEI	1,460	−30	Safren	16.75	
						Comalco "A"	2.25		M'bishi Bank	1,510	−10	Sage Hldgs	11.25	
						Consolidated Pet	0.15	−0.01	M'bishi Chem	793	+1	SA Brews	10.6	
						Costain Aust	2.05		M'bishi Corp	888	−1	Smith (CG)	29	
						Elders IXL	4.65		M'bishi Elect	384	−1	Tongaat Huletts	7.6	
						Energ Res	1.5		M'bishi Estate	2,050	−40			

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Sales	Stock	High	Low	Close	Chng
1374	Conwst B	391/4	9	91/4	+ 1/4
7298	Corby	$22	217/8	217/8	+ 3/8
1050	C Falcon C	$183/8	181/2	183/8	+ 1/8
300	Coseka R	112	110	112	3
3800	Costain Ltd	$153/4	153/4	153/4	
5200	Crownx	$321/2	321/2	321/2	
133724	Crownx A f	$15	141/2	143/4	1/8
7700	Czar Res	140	130	140	+ 10
4604	Denison A p	$63/4	61/2	63/4	+ 1/4
7062	Denison B f	$65/8	61/2	65/8	
1650	Develcon	345	340	345	+ 5
12600	Dickhsn A f	$71/2	71/2	71/2	
20000	Dickhsn B	$71/2	71/2	71/2	
82641	Dofasco	$29	283/4	283/4	1/4
23698	Dome Cda	460	445	455	+ 15
36400	Dome Mine	$73/4	75/8	75/8	3/8
82928	Dome Pete	123	118	118	6
628	D Textile	$221/4	221/2	221/4	+ 1/8
12780	Domtar	$311/4	303/4	311/4	+ 3/8
1400	Donohoe	$251/2	251/4	251/4	+ 1/4
409	Du Pont A	$341/2	341/2	341/2	+ 1/4
169970	Dylex A	$191/4	181/4	191/8	+ 1
950	E-L Fin	$593/4	59	593/4	+ 3/4
31400	Echo Bay	$211/2	207/8	207/8	+ 1/4
1100	Emco	$30	30	30	
4400	Equity Svr	410	400	410	+ 5
5600	FCA Intl	$171/4	17	171/8	+ 1/4

Canadian stock markets were closed yesterday for a public holiday. These are Monday's closing prices.

MONTREAL

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing on price	Change on day		Stocks traded	Closing on price	Change on day
Sanders Assoc.	2,764,200	531/4	+31/4	Philadelphia El.	1,661,600	201/4	− 1/4
Panhandle Pipe	2,640,800	481/4	− 1/4	P. Svs. Intl.	1,328,800	121/4	+ 1/4
Baxter Trav.	2,219,100	187/8	—	AT&T	1,237,800	251/4	+ 1/4

CANADA

TORONTO	June 30	June 27	June 26	June 25	June 24	1986 High	1986 Low
Metals & Minerals	2105.3	2096.52	2104.5	2133.32	2126.96	2442.86 (21/3)	[illegible] (21/6)
Composite	3066.5	3070.20	3068.8	3068.2	3066.1	3129.11 (14/4)	2784.3 (17/2)
MONTREAL Portfolio	1562.18	1562.18	1561.67	1557.49	(u)	[illegible] (16/4)	[illegible] (22/1)

** Saturday June 28. Japan Nikkei 17547.42. TSE 1380.65

Base values of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Stock	Price	Change
Abaco Invs	87	+12
Alexon	176	+16
Authority Inv	315	+30
Beecham	438	+8
Bejam	183	+6
Braswdy	95	+11
Brit & Comnt	291	+21
Comb Eng Stores	243	+13
Costain Group	564	+14
Freemans	452	+14
Jaguar	561	+13
Kode Intl	275	+40
Lister	109	+11
Lucas Inds	620	+14
McAlpine (Alfred)	440	+18
Midland Bank	553	+14
Pearson	575	+17
Pentland Inds	955	+65
RMC	656	+16
Ratners	165	+10
Reed Executive	306	+43
Reuters B	515	+12
Tomkinsons	196	+16
Triplex	136	+16
United Leasing	180	+15

FALLS

Stock	Price	Change
Allied Lyons	352	−11
Ferranti	114	−14
Northern Foods	292	−8
Redime	475	−85
TSL Thermal Sy	130	−55

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 43

Stock		Sales (Hnds)	High	Low	Last	Chng
PTelcm	.80	106	141/2	133/4	141/2	+ 3/8
PacoPh		779	221/4	217/8	221/4	+ 1/8
PancMx	13	29	133/8	13	13	− 1/8
ParkOh	.60	52	73/4	71/4	73/4	+ 1/2
PatntM		265	5	43/4	5	+ 1/8
PaulHr	1	59	21	203/4	21	
Paycxs		311	25	241/2	25	+ 1/4
Recotn		11	127/8	127/8	127/8	+ 3/8
RedknL	.20b	79	241/2	233/4	24	− 1/4
Reeves		318	13	123/4	13	1/8
RgcyEl	.20	490	61/4	6	6	1/4
Regiss	.16	575	151/4	131/2	151/4	+ 11/2
Relrab		11	63/8	63/8	63/8	+ 1/4
RpAuto	.04j	411	93/8	93/8	91/2	
RpHlth		70	183/8	183/8	183/8	
Reuterl	.15e	89	153/8	151/4	151/4	+ 1/4
ReutrH	.34e	922	481/2	477/8	48	+ 3/8
RayRys	.70	96	33	321/2	33	+ 1/2
Rhodes	.32	89	297/8	295/8	295/8	1/8
Ribulm		386	9	81/4	81/2	1/8
RichEl		477	23	221/4	223/8	5/8
RoadSv	1.10	1283	443/4	441/4	441/4	
RobNug	.06	8	121/4	121/4	121/4	
RobVsn		74	6	57/8	6	+ 1/8
Rouses	.60	800	331/4	32	33	+ 1
RoyPlm	1	210	63/8	6	63/8	+ 3/8
RoylRs		164	35/8	31/8	31/8	− 1/8
RustPel		75	8	77/8	8	
RyanFs		3220	231/4	223/4	23	1/8
SmithL		370	31/2	3 5-16	33/8	
Society	1.92	252	681/4	671/2	681/8	1/8
SoclySs		302	261/4	26	26	1/4
Softech		156	91/4	9	9	1/4
SoftwA		466	183/8	181/8	181/4	1/4
SonocP	.80	384	373/4	371/4	371/4	
SonrFd	.15j	31	101/2	10	101/2	+ 1/2
SoHosp		47	47/8	43/4	47/8	+ 1/8
SthdFn	.52	155	20	191/2	197/8	− 1/8
Soutrst	.88	371	253/8	243/4	253/8	+ 5/8
Sovrgn	.10	72	73/4	71/2	71/2	
Sovrans	1.28	382	421/4	417/8	417/8	
Speedys		621	201/4	191/4	201/4	+ 1
Spctran		178	51/4	43/4	43/4	− 1/2
SpecCtl	.07	75	107/8	103/8	103/8	+ 1/8
Spire		2	123/8	123/8	123/8	+ 1/8
StarSur		153	151/8	151/8	151/8	
StatBld	.20	32	117/8	107/8	107/8	− 1/8
Standy	1.08	48	423/4	42	42	
StdMic		98	157/8	153/8	153/8	1/8
Stanhm	1.52	101	46	451/4	451/2	1/2
StaStBs	.72	351	561/8	561/2	563/8	− 1/8
StateG	.05b	128	51/2	53/8	51/2	+ 1/8
vjStegr		757	23/8	21/2	23/8	+ 1/4
UPresd		57	151/2	151/4	151/4	
US Ant		25	23/4	25/8	23/4	+ 1/8
US Bcp		1580	40	393/4	40	+ 1/4
US Cap		32	23/4	23/4	23/4	
USDsgn		150	21/8	2	21/8	
US HltC	.12	2646	187/8	183/8	183/8	+ 1/8
USShelt	.12	72	31/8	23/4	31/8	+ 3/8
US Sur	.40	1216	237/8	235/8	235/8	1/8
US Trs	1.32	52	661/2	653/4	661/2	+ 1/2
USIatn	.24	4804	171/4	161/2	171/8	+ 11/8
USLIC	.80	115	273/4	271/4	273/4	+ 1/8
UTL		655	251/2	251/4	251/4	− 1/4
Ultrsy	.06e	2630	127/8	113/4	127/8	+ 5/8
Ungmn		70	115/8	111/2	111/2	
Unifis		123	153/8	153/8	153/8	− 1/8
UnPlntr		58	381/2	38	38	− 1/8
UACms	.04	1117	203/4	201/4	203/4	+ 1
UBAlsk	1	49	53/4	53/8	51/2	1/4
UBCol	1.06	397	321/2	321/4	321/2	
UFnGrp		93	41/4	4	4	1/4
UFstFd	.20	26	343/8	343/8	343/8	
UGrdn	1.64t	17	81/2	81/4	81/4	1/4
Writer	.15e	92	91/4	83/4	91/4	+ 1/2
Wyman	.80	2798	22	211/2	22	
Xebec		45	23/8	2 3-16	2 3-16	− 1-1
Xicor		423	73/4	73/8	71/2	
Xidex		1827	20	193/4	193/4	+ 1/8
YlowFs	.54	313	40	393/4	397/8	1/4
Ziegler	.48a	6	18	171/4	18	+ 3/8
ZionUt	1.36	187	581/2	58	581/2	+ 1/2
Ztel		14	41/4	4	41/8	
Zivad		102	41/2	41/4	41/2	
Zondvn		93	211/2	211/4	211/4	1/4
Zymos		139	23/8	23/8	21/8	

Prices at 3pm, July 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅞	12½	AAR s	.44	1.8	22	303	24½	24	24¼	+¼
30	21¾	ADT	.92	3.1		327	30	29⅝	29½	+⅛
32¼	11½	AFG s			21	483	32¼	31⅝	32¼	+⅝
25⅝	13¼	AGS			15	29	21¼	21	21	
60⅛	37½	AMR			11	2674	56¼	54⅝	54¾	−⅞
27½	23¼	ANR pf 2.67		11		2	25¼	25¼	25¼	
23¼	19¼	ANR pf 2.12		9.8		1	21⅝	21⅝	21⅝	
12½	7⅞	APL			6	17	11¼	11	11⅛	+⅛
16¾	11⅛	ARX	.71t	5.6	11	153	12⅝	12¼	12⅝	+⅛
51	30¾	ASA	2a	6.4		239	31⅝	31	31⅛	−⅝
18⅜	10½	AVX		2.4		1000	13¼	12¾	13⅛	+⅛
32	22⅞	AZP	2.72	9.3	8	1710	29⅝	29⅜	29½	+⅛
55	26¾	AbtLb s .84		1.5	27	3198	54¾	53⅞	54¼	+⅛
32	19⅝	AccoWd .56		2.0	19	336	28	27¾	27⅞	
17¼	10	AcmeC .40		3.6		356	11¾	10¾	11¼	−⅝
9¼	7	AcmeE .32b		4.2	19	2	7⅝	7⅝	7⅝	
20¾	17	AdaEx 1.90e		9.4		130	20¼	20⅛	20¼	
32⅞	15	AdmMl .40		1.2	15	102	32⅝	32⅝	32⅝	
20⅝	11	AdvSys .83t		4.7	16	44	17¾	17⅝	17⅝	−⅛
32½	20	AMD				4471	20⅝	20	20⅛	+⅛
12¾	8	Adobe n				326	8⅞	8⅞	8¼	
18½	14⅛	Adob pf 1.84		11.		117	17⅛	16¾	16¾	−⅛
20¾	15¼	Adob pf 2.40		13.		312	19⅝	19	19	−⅜
18⅝	7½	Advest .12a		.8	13	192	16⅛	16	16	−⅛
65¼	42¼	AetnLf 2.64		4.3	11	14928	61¼	60¼	61⅛	+⅞

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Continued on Page 43

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NYSE COMPOSITE PRICES

Continued from Page 42

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	45¾	Xerox	3	5.3	13	2651	57½	55¾	57	+⅞
58½	53½	Xerox pf5.45		9.7		13	56¼	56	56⅛	−⅛
28¾	20⅝	XTRA	.64	2.7		210	24⅜	23½	23¾	+½
17⅝	13½	Yorkin n				161	17⅛	17	17	
39	26½	ZaleCp 1.32		3.6		155	37⅛	36¾	37	+⅜
10⅞	3½	Zapata .03j				1662	8	4⅞	4⅞	−⅞
43⅝	23⅞	Zayre s	.32	.7	27	1070	u43⅞	43	43¾	+⅞
17	11⅝	Zemex	.40	2.9	14	1	13⅝	13⅝	13⅝	
29¼	16½	ZenithE				510	24⅞	24¼	24¼	−½
18¼	8⅛	ZenLb s			22	2428	17	16⅜	16¾	+½
22⅞	14⅝	Zero s	.29	1.6	17	50	17⅞	17⅝	17⅞	
45¾	32¼	Zurnin 1.32		3.5	13	64	38¼	37⅞	37⅞	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 1

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Optimistic mood is sustained

CONTINUED HOPES of a cut in the discount rate by the Federal Reserve Board injected further strength into Wall Street yesterday, *writes Paul Hannon in New York.*

The belief that the Fed would move on rates this week, with up to a half percentage point cut by Friday, sustained market optimism and kept the leading indices at or near record levels.

The mood was bolstered after the Commerce Department released its latest index of leading indicators which showed a 0.2 per cent gain in May, slightly lower than expected.

By 3pm, the Dow Jones industrial average was up 4.5 at 1,897.22.

Blue chips were again the mainstay of the session but situation stocks added flavour to a market that is beginning to show signs of exhaustion at peak levels.

Market bellwether IBM advanced $1⅛ to $147⅞, while Union Carbide rose $1⅜ to $22¾ in heavy turnover.

General Motors led a strong car sector with a $⅝ gain to $77¾. Other Detroit stocks showing early progress were American Motors, up $⅜ to $4⅛ after its car assembly deal with Chrysler, which firmed $⅝ to $38½. Ford held unchanged at $55⅛.

US Steel gained $½ to $21⅛ after the steelmaker revealed plans to sell three plants and that it may consider changing its corporate name.

Panhandle Eastern continued to trade heavily in the wake of its takeover offer from Star Partners. Panhandle at $47½ traded down a further $¾ after the warm reception in the previous session.

Among aerospace issues, Boeing picked up $⅞ to $63⅞, in part a response to recent orders, while McDonnell Douglas dipped $¼ to $77⅞ despite its announcement of an order for 14 more MD-80s from the Scandinavian airline, SAS

Canadian markets were closed yesterday for a public holiday.

Midland Ross, the metal fabricator, surged $6⅞ to $28¼ after the board revealed it had accepted a $28 per share takeover offer from Forstmann Little.

A 2m share buyback by Ex-Cell-O was warmly received and the precision equipment manufacturer jumped $5 to $53¼.

The plan by Southwestern Bell to pay $1.65bn for the cellular telephone operations of Metromedia triggered a surge of buying in the sector. Linn Broadcasting, the second largest cellular franchise owner after Metromedia, soared $6 to $55¼ in over the counter trading. Also on the OTC, Mobile Communications advanced $2¼ to $18⅞, while Graphic Scanning, which has its own cellular operations up for sale gained $⅞ to $10½. Southwestern Bell traded $5½ higher on the NYSE to $61½.

Other features of the session included a $¼ fall for CBS at $144½ after the network revealed large job cuts, while higher second-quarter net income from Dow Chemical prompted a $½ gain to $57⅞. Coca-Cola's bottling acquisition intention merited the soft drinks manufacturer a $½ advance to $42⅜.

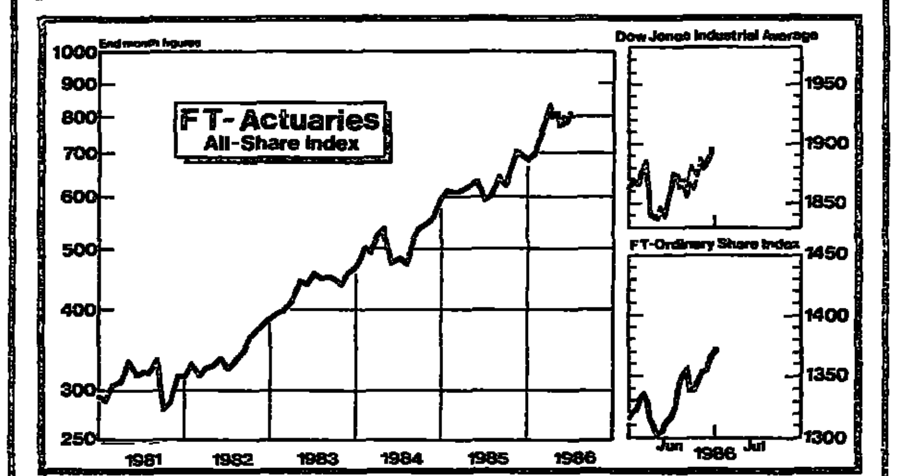
Other food related issues were strong with General Mills $2 higher at $85 and Campbell Soup $2 ahead at $86½. The oil sector was mixed with Exxon $¼ higher at $61⅛, while Atlantic Richfield retreated $½ to $51½ after Standard & Poor's, the credit rating agency, downgraded the oil group's rating from double A-minus to single A.

Among bank stocks, BankAmerica slipped a further $⅛ to $15½ while Chase Manhattan traded $½ higher to $44⅞.

Major retailers saw FW Woolworth drop $1½ to $46½ and JC Penney turn $⅜ off at $84⅜ as sentiment grows that May Department Stores' bid for Associated Dry Goods will not spill a round of mergers among the large retailers.

In the bond market, the key long bond, the 7¼ per cent of 2016, was quoted at 100 17/32, a gain of 15 basis points, to yield 7.21 per cent, while the 1996 7⅜ issue rose 4 basis points to 100 19/32 yielding 7.33 per cent.

Short-term rates firmed with three-month Treasury bills up 2 basis points at 5.97 per cent and six-month bills unchanged at 5.94 per cent.



STOCK MARKET INDICES

NEW YORK	July 1	Previous	Year ago
DJ Industrials	1,897.22*	1,892.72	1,337.14
DJ Transport	779.88*	782.75	672.64
DJ Utilities	199.39*	200.10	165.37
S&P Composite	251.25*	250.84	192.43
LONDON	July 1	Prev	Year ago
FT Ord	1,373.7	1,367.1	954.3
FT-SE 100	1,660.8	1,649.8	1,246.8
FT-A All-share	820.28	815.70	604.08
FT-A 500	902.28	898.48	658.43
FT Gold mines	204.2	202.5	406.9
FT-A Long gilt	9.42	9.42	10.57
TOKYO			
Nikkei	17,622.74	17,654.19	12,919.1
Tokyo SE	1,355.66	1,359.24	1,028.97
AUSTRALIA			
All Ord.	1,175.3	1,179.8	880.2
Metals & Mins.	496.2	496.6	505.8
AUSTRIA			
Credit Aktien	n/a	118.20	102.59
BELGIUM			
Belgian SE	3,678.18	3,675.86	2,321.63
CANADA			
Toronto			
Metals & Minls	c	2,106.2	1,898
Composite	c	3,085.5	2,701.4
Montreal			
Portfolio	c	1,562.18	132.32
DENMARK			
SE	n/a	215.67	198.48
FRANCE			
CAC Gen	354.90	355.60	224.3
Ind. Tendance	135.30	135.10	82.4
WEST GERMANY			
FAZ-Aktien	626.26	639.08	480.79
Commerzbank	1,894.20	1,929.60	1,421.5
HONG KONG			
Hang Seng	1,733.51	1,739.11	1,570.60
ITALY			
Banca Comm.	682.26	665.75	331.50
NETHERLANDS			
ANP-CBS Gen	286.90	289.40	215.0
ANP-CBS Ind	284.40	285.80	179.4
NORWAY			
Oslo SE	359.92	360.45	327.20
SINGAPORE			
Straits Times	745.89	741.22	775.27
SOUTH AFRICA			
JSE Golds	–	1,242.2	966.3
JSE Industrials	–	1,174.9	977.9
SPAIN			
Madrid SE	170.82	172.11	79.68
SWEDEN			
J & P	2,431.71	2,412.11	1,330
SWITZERLAND			
Swiss Bank Ind	557.90	561.4	447.9
WORLD	June 30	Prev	Year ago
MS Capital Int'l	328.0	325.6	216.1

COMMODITIES

(London)	July 1	Prev
Silver (spot fixing)	330.40p	329.30p
Copper (cash)	£905.50	£915.50
Coffee (September)	£1,726.00	£1,707.00
Oil (Brent blend)	$10.925	$11.20

GOLD (per ounce)

	July 1	Prev
London	$345.00	$347.50
Zurich	$345.25	$347.55
Paris (fixing)	$347.17	$345.56
Luxembourg	$345.80	$346.00
New York (Aug)	$345.80	$347.70

CURRENCIES

	US DOLLAR		STERLING	
(London)	July 1	Previous	July 1	Previous
$	–	–	1.55	1.5325
DM	2.176	2.2015	3.3725	3.375
Yen	162.55	163.70	252.00	250.75
FFr	6.945	7.02	10.765	10.7575
SFr	1.7725	1.7955	2.7475	2.7525
Guilder	2.4505	2.475	3.7975	3.7925
Lira	1,494	1,508	2,315.5	2,311
BFr	44.55	44.90	69.05	68.80
C$	1.38	1.3865	2.1364	2.125

INTEREST RATES

Euro-currencies (3-month offered rate)	July 1	Prev
£	9⅞	9⅞
SFr	5⅛	5⅛
DM	4⅝	4⅝
FFr	7½	7¼
FT London Interbank fixing (offered rate)		
3-month US$	6 11/16	6⅞
6-month US$	6 11/16	6¾
US Fed Funds	6 15/16*	7⅜
US 3-month CDs	6.40*	6.925
US 3-month T-bills	5.97*	6.12

US BONDS

Treasury	July 1* Price	Yield	Prev Price	Yield
7¼ 1988	100 19/32	6.84	100 15/32	6.87
7⅛ 1993	99 29/32	7.295	99 25/32	7.16
7⅜ 1996	100 19/32	7.328	100 15/32	7.32
7¼ 2016	100⅞	7.244	100 25/32	7.23

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	July 1* Day's change	Yield	Day's change
1–30	153.05	+0.28	7.40	–0.01
1–10	145.20	+0.19	7.24	–0.01
1– 3	136.49	+0.06	6.96	+0.01
3– 5	147.02	+0.18	7.43	–0.02
15–30	181.25	+0.59	7.95	–0.03

Source: Merrill Lynch

Corporate	July 1* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	90⅞	6.63	90⅝	6.70
SCBT South Central 10⅞ Jan 1993	106⅜	9.56	106⅛	9.61
Phibro-Sal 8 April 1996	98¼	8.18	98	8.25
TRW 8⅜ March 1996	102⅞	8.34	102½	8.30
Arco 9⅞ March 2016	104.65	9.41	104.95	9.38
General Motors 8⅜ April 2016	92.41	8.85	92.41	8.85
Citicorp 9⅜ March 2016	97.87	9.59	97.87	9.59

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	99–18	99–31	99–12	99–18
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.40	94.48	94.39	94.41
Certificates of Deposit (IMM) $1m points of 100%				
Sept	93.75	n/a	93.75	93.77
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.47	93.50	93.47	93.44
20-year Notional Gilt £50,000 32nds of 100%				
Sept	121–27	121–31	121–14	121–17

* Latest available figures

LONDON

Lively rise to two month high

ANOTHER broad advance took leading shares in London to the highest levels for two months.

The session featured lively bouts of both investment and speculative activity as funds recently tied up in the Thames TV and Morgan Grenfell share flotations were returned to investors.

Institutionals favoured domestic building and construction stocks and also bought many international stocks in the wake of Wall Street's surge to a fresh record on Monday.

The FT Ordinary index ended 6.6 higher at its best level since May 2 at 1373.7. The FT-SE 100 share closed 11 higher at 1660.8, after 1663.6.

The gilt-edged market suffered from financial technicalities. The market opened mostly better but gains were later eroded.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39.

HONG KONG

FOREIGN institutional selling, mostly of blue-chip issues, again dominated Hong Kong trading, and while there were signs of selective buying by local investors, it proved insufficient to halt the decline.

The Hang Seng index fell 5.6 to 1,733.51 and turnover, at HK$236m, was little changed from the previous session.

Among leading shares, Hang Seng Bank gained 25 cents to HK$34.50, Jardine Matheson added 20 cents to HK$12.60 and Bank of East Asia was 10 cents firmer at HK$17.90.

Of the losers, Cheung Kong fell 20 cents to HK$20.20, Hong Kong Bank lost 5 cents to HK$6.65 and Hutchison Whampoa shed 20 cents to HK$28.80.

AUSTRALIA

A SIXTH consecutive daily decline was registered in Sydney at the start of the new fiscal year. The All Ordinaries index eased 4.7 to 1,175.4.

The resources sector was mixed with BHP unchanged at A$8.50 and Bell Resources 8 cents ahead at A$4.20. In the opposite direction, profit-taking pushed CSR 8 cents lower to A$3.32.

Industrials were mostly weaker despite some early bargain hunting and the positive tone overnight in New York.

Sarich put on A$1.40 to A$19.80 after peaking at A$20, while 10 cent declines left Bell Group at A$9.10, Lease Lend at A$8.60 and Brambles at A$6.40.

SINGAPORE

BUYING INTEREST returned to Singapore markets after the three day pullback with stocks approved for Central Provident Fund investment at the centre of attention. The Straits Times industrial index added 4.67 at 745.89.

Among actively traded stocks, SIA rose 15 cents to S$7.35 amid a resurgence of market rumours that the board may decide to increase the limit on foreign ownership beyond the current 20 per cent and seek additional listings in foreign markets.

Promet put on 2 cents to 54 cents, while Tan Chong lost ½ cent to 48½ cents.

SOUTH AFRICA

GOLD SHARES closed mixed in Johannesburg having given up the benefit of earlier gains amid reports of another bombing in the city centre.

Vaal Reefs added a net R4 to R237, after touching R239, but Buffels shed R1 to R79. Mining financials were mixed with Anglo American Gold R6 higher at R246 but Gold Fields R1 lower at R43.50.

TOKYO

High prices prove a disincentive

DESPITE THE start of July trading and Wall Street's overnight advance to a new high, share prices closed slightly lower in Tokyo yesterday as buying interest dwindled amid concern over high price levels, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average lost 31.45 to 17,622.74, and volume totalled 732.64m shares, compared with Monday's 634.93m. Losses outpaced gains by 506 to 367, with 122 issues unchanged.

Shares began their surge in early June, reaching a precariously high level which could prompt the Tokyo stock exchange to tighten margin trading controls at any time, to cool the overheated market.

Furthermore, investors are inclined to shy away from the market at present as no clear picture is emerging ahead of Sunday's elections for both houses of the Diet (parliament).

On the trading floor, oil issues attracted strong buying interest, mirroring falling crude oil prices and the yen's firm tone against the dollar.

Nippon Oil, an active issue, rose Y60 to Y1,260. Mitsubishi Oil advanced Y16 to Y545, Arabian Oil Y90 to Y4,100 and Toa Nenryo Y60 to Y1,870.

Buying interest also spread to some chemicals which are expected to enjoy cheaper import bills for raw materials because of lower crude prices and the strong yen. Kanegafuchi Chemical gained Y15 to Y703 and Mitsubishi Gas Chemical Y12 to Y469.

Major trading houses turned lower, in apparent reaction to their recent sharp rises which were fuelled by investor expectations of lower interest rates and their moves into information businesses.

C. Itoh declined Y5 to Y590. Mitsubishi fell Y1 to Y888 and Sumitomo Y25 to Y995, but Mitsui rose Y6 to Y525.

Credit sales companies fared well, with Seibu Credit adding Y100 to Y2,100 and Hitachi Credit Y80 to Y1,890.

Among low-priced, large-capital stocks, Ishikawajima-Harima Heavy Industries topped the active list with 73.69m shares and gained Y3 to Y324.

Blue chips were out of favour. Matsushita Electric Industrial dipped Y30 to Y1,460 and Hitachi Y12 to Y861.

Bond prices turned mixed, after opening steady amid growing expectations for official discount rate cuts in Japan and the US.

The yield on the benchmark 6.2 per cent government bonds due in July 1995, which were out of favour on Monday, declined to 4.735 per cent from the previous day's 4.780 per cent. Conversely, the yield on the 5.1 per cent bonds maturing in March 1996, Monday's popular issue, rose to 4.930 per cent from 4.905 per cent.

EUROPE

Milan is dragged out of doldrums

INCREASED BUYING by mutual funds dragged **Milan** out of the doldrums of the last two sessions and issues closed well up on the day.

The Milan stock exchange index, which had risen by as much as 4 per cent in early trading, eased to finish with a 2.7 per cent gain from Monday's 1,490.

Blue chips, especially insurers, were in demand, with Toro gaining L490 to L37,500, RAS L1,800 to L49,900 and Generali L3,500 to L126,500.

Italmobiliare, the Pesenti group's holding company, advanced to L224,700, up L13,500, while its cement subsidiary Italcementi put on L1,200 to L71,700.

Among consumer stocks, Buitoni ended L220 ahead at L8,550, while Rinascente, the retailer, added L16 to L1,032.

Frankfurt continued to react negatively to government privatisation plans for VW and Veba. The weaker dollar also acted as a depressant.

Cars and banks were sorely hit. VW fell a further DM 9.50 to DM 506, Daimler dropped DM 13 to DM 1,327 and BMW, with plans to withdraw from Formula I motor racing, shed DM 8 to DM 584.

Of the banks, Deutsche gave up DM 10 to DM 760, Commerzbank eased DM 6 to DM 297 and Dresdner DM 4.50 to DM 409.

Uneasy about the dollar's trend, chemical issues declined. Hoechst fell DM 5.50 to DM 257, BASF slipped DM 5.20 to DM 256.20 and Bayer ended down DM 2.80 at DM 285.70.

The Commerzbank index, calculated at midsession, declined a further 35.4 to 1,894.2 after Monday's drop of 22 points.

The soft dollar and higher overnight performance in the US credit markets boosted bond prices by as much as 30 basis points.

The Bundesbank continued to sell a sizeable DM 131.2m worth of paper after selling DM 33.7m the previous session.

The federal Government's 5½ per cent 1996 bond firmed 25 basis points to 100.05, while the 6 per cent 2016 tranche added 15 basis points to 98.35.

Both **Zurich** and **Stockholm** were slightly firmer.

The Swiss bourse was aided by increased liquidity as the new term began and by lower money rates.

Banks profited from US brokers' buy recommendations and Baer Holding pushed SFr 500 ahead to SFr 19,500. UBS rose SFr 10 to SFr 5,700.

Bonds ended with a slightly firmer bias.

In Sweden, trading did not appear to be hampered by the doubling of the share turnover tax which took effect yesterday.

Dealers, remaining optimistic over a further fall in world interest rates, pushed Volvo SKr 1 higher to SKr 398

Summer holidays took their toll in **Amsterdam** as internationals eased on the softer dollar. Unilever, a gainer on Monday, led the losses with a fall of Fl 3.50 to Fl 479.50.

The bourse expanded the list of shares traded to include five new issues and released statistics showing that Royal Dutch had the largest turnover of more than Fl 30bn in the 18 months to December 31, 1985.

Bonds were unchanged.

Paris was mixed in a thin summer market. Schneider, which next year should pay its first dividend since 1960, rose FFr 3 to FFr 632.

Brussels, Oslo and **Madrid** were mixed to lower.